

**HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
(HOUSING AUTHORITY OF THE CITY OF LONGVIEW)**

**FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2025**

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Housing Opportunities of Southwest Washington
Longview, Washington

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities (primary government) and the aggregate discretely presented component units of Housing Opportunities of Southwest Washington (the Authority), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of Housing Opportunities of Southwest Washington as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITORS' REPORT, CONTINUED

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 10, the schedule of the Authority's proportionate share of the net pension liability (asset) and the schedule of employer contributions on pages 51 to 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. The Financial Data Schedule presented on pages 59 through 63 and the project financial statements presented on pages 57 through 58 are presented for the purpose of additional analysis as required by HUD and other grantor agencies, and are also not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, the financial data schedule, and the 18th House project financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2026 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Finney, Hill & Company, P.S.

June 25, 2026
Seattle, Washington

HOUSING OPPORTUNITIES OF SW WASHINGTON
Management's Discussion and Analysis
September 30, 2025

The Housing Authority of the City of Longview (Authority), doing business as Housing Opportunities of Southwest Washington (HOSWWA), management's discussion and analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position, and identify individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

The financial performance discussed in the following analyses does not include the tax credit partnerships. The tax credit partnerships are owned by separate limited partnerships with the Authority as the general partner. These separate legal entities are not carried directly on the books of the Authority. They are listed as component units in the financial statements and are detailed in portions of the notes to the financial statements. With those exceptions, neither these component units, nor their financial data, are included in the analysis and financial reports that follow.

Financial Highlights

- The Authority's overall cash position increased by \$250 thousand or 8% during the year. Unrestricted cash and cash equivalents decreased by \$306 thousand or 15%, and restricted cash and cash equivalents increased by \$556 thousand or 46%.
- The Authority maintained an average occupancy rate of 97% across all projects, equal to 2024's occupancy rate.
- Total assets and deferred outflows of resources of the authority exceeded total liabilities and deferred inflows of resources at September 30, 2025, by \$6.6 million, which is an increase of \$1.6 million or 31% during the year. Net investments in capital assets decreased by \$143 thousand or 22% and restricted net position increased \$620 thousand or 49%.
- Non-operating revenues were \$19.4 million, an increase of \$1.6 million or 9%. Operating revenues increased from the previous year by \$886 thousand or 34%.
- Operating expenses were \$21.4 million and include \$15.5 million in housing assistance payments (HAP) made to landlords (72% of operating expenses). HAP increased by \$1.3 million or 9% from the previous year. Administrative and tenant service expenses increased \$222 thousand or 14% and \$139 thousand or 11%, respectively, largely due to an increase in salaries. General expenses increased by \$80 thousand or 37%. Total operating expenses, other than the aforementioned, were consistent with the previous year.

Authority Wide Financial Statements

The focus of Authority-wide financial statements is on the overall financial position and activities of HOSWWA. The Authority's financial statements include a Statement of Net Position, a Statement of Revenues, Expenses & Changes in Fund Net Position, a Statement of Cash Flows, Notes to the Financial Statements and Required Supplementary Information. The financial statements are prepared using the accrual basis of accounting and conform to generally accepted accounting principles applicable to proprietary funds of governments.

The statement of net position presents total assets and deferred outflows of resources and total liabilities and deferred inflows of resources with the difference between these reported as net position. It provides information about the nature and amounts of investments in resources (assets), consumption of resources

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that are applicable to future periods (deferred outflows), obligations to the Authority's creditors (liabilities) and the acquisition of resources that are applicable to a future reporting period (deferred inflows). It provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the Authority is improving or deteriorating.

The statement of revenues, expenses, and changes in fund net position presents the results of the business activities over the course of the year. This information can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The statement of cash flows reports on cash receipts, cash payments, and net changes in cash resulting from operating, financing, and investing activities over the course of the year. It presents information regarding where cash came from and what it was used for.

The notes to the financial statements provide useful information regarding the Authority's significant accounting policies, significant account balances and activities, certain material risks, estimates, obligations, commitments, contingencies, and subsequent events, if any.

Condensed Comparative Financial Information

Condensed Comparative Statement of Net Position

The following condensed statement of net position presents the assets and deferred outflow of resources of the Authority as of September 30, 2025 and 2024:

	Sept. 30, 2025	Sept. 30, 2024	2024 to 2025 Change	%
Current and other assets	\$ 9,324,890	7,786,164	1,538,726	20%
Capital assets	10,496,996	10,985,700	(488,704)	-4%
Total assets	19,821,886	18,771,864	1,050,022	6%
Deferred Outflows of Resources	885,455	673,468	211,987	31%
Total assets and deferred outflows of resources	<u>20,707,341</u>	<u>19,445,332</u>	<u>1,262,009</u>	6%
Current liabilities	2,414,962	2,311,779	103,183	4%
Long-term liabilities	10,794,302	11,329,809	(535,507)	-5%
Total liabilities	13,209,264	13,641,588	(432,324)	-3%
Deferred Inflows of Resources	871,164	751,081	120,083	16%
Total liabilities and deferred inflows of resources	<u>14,080,428</u>	<u>14,392,669</u>	<u>(312,241)</u>	-2%
Net position				
Net investment in capital assets	(807,447)	(664,250)	(143,197)	22%
Restricted	1,898,175	1,277,835	620,340	49%
Unrestricted	5,536,185	4,439,078	1,097,107	25%
Total net position	<u>6,626,913</u>	<u>5,052,663</u>	<u>1,574,250</u>	31%
Total liabilities, deferred inflows, and net position	<u>\$ 20,707,341</u>	<u>19,445,332</u>	<u>1,262,009</u>	6%

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2025 is not reported consistently with 2024 because the Authority implemented GASB Statement No. 101, *Compensated Absences*, which required an analysis of compensated absences under the new definition. Total liabilities in the 2025 column present compensated absences measured under a new standard which is creating a larger liability. If 2024 was restated, liabilities would be increased by \$82,095. See note 15 for more information.

Major Factors Affecting the Statement of Net Position

The Statement of Net Position measures the amount by which assets exceed the corresponding liabilities or net position. Over time this may serve as a useful measure of the Authority's financial position.

The total net position of \$6.6 million is presented in three categories.

- Investment in Capital Assets represents the book value amount invested in capital assets net of depreciation and related debt. The primary changes that will occur in this category are property development, depreciation, and overall debt activity, generally, the normal repayment of principal. This year the account has a decrease of \$143 thousand and is negative \$807 thousand at fiscal year-end. The decrease is due primarily to a \$488 thousand decrease in capital assets, offset with a \$346 thousand decrease in debt.
- The Restricted Net Position consists of three major components: Net Pension Assets, debt service reserves held by trustees to support debt service commitments (including replacement reserves) and required reserves for development and Homeowner and other escrow balances. HAP reserves are restricted and can only be used for housing assistance payments for the Housing Choice Voucher program. This category increased by \$620 thousand in fiscal year 2025 and ended the year at \$1.9 million. Approximately \$301 thousand of this increase is related to the increase of debt service and replacement reserves and \$208 thousand is related to the increase of pension reserves.
- The Unrestricted Net Position represents the Authority's unrestricted cash and investments, which comprises net position that does not fall into the first two categories. In 2025, this amount increased by \$1.1 million and ended the year at \$5.5 million. The increase in this category is primarily due to the excess of revenues over expenses in 2025.

Current and other assets increased by \$1.5 million, or 20%. This increase is largely due to an increase in notes receivable and developer fees receivable of \$1.4 million, which occurred as a result of increasing related party receivables from Sunrise Village Housing. There was also an increase of \$208 thousand in the net pension assets. Capital assets decreased by \$489 thousand, or 4%, due to the increase of construction in progress offset with an increase in accumulated depreciation.

Current liabilities increased by 4%, or \$103 thousand, primarily related to a \$303 thousand decrease in accounts payable offset with a \$244 thousand increase in short-term debt as the Authority expects to pay off a large loan in 2026 and a \$113 thousand increase in compensated absence liability, \$82 thousand of which is due to the Authority's implementation of GASB 101. Long-term liabilities decreased \$536 thousand or 5%, as a large portion of the debt has become current.

The adjustments to pension related accounts reflect large variances between 2024 and 2025. Net Pension Assets, reflected within Other Assets above, increased by \$208 thousand or 39%. The Deferred Outflows of Resources above are all related to Pension and had an increase of \$212 thousand, a 31% increase. Net Pension Liability decreased by \$46 thousand or 20%; while Deferred Inflows of Resources related to

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pensions increased by about \$124 thousand or 39%. These swings in balances are due to impacts of the market and changes in actuarial assumptions.

Condensed Comparative Statement of Revenues, Expenses & Changes in Fund Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the results of operations as well as the non-operating revenues and expenses. It is necessary to consider both operating and non-operating revenues to gauge the results of operations, as grants and subsidies which are considered non-operating revenues are essential to the funding of the Authority. The following table presents the Condensed Statement of Revenues, Expenses and Changes in Fund Net Position for the years ended September 30:

	2025	2024	2024 to 2025 Change	%
Operating revenue				
Net tenant rental revenue	\$ 1,840,307	1,734,603	105,704	6%
Other revenue	1,633,221	852,870	780,351	91%
Total operating revenue	3,473,528	2,587,473	886,055	34%
Non-operating revenue				
Government operating subsidies and grants	19,316,879	17,766,904	1,549,975	9%
Other non-operating revenue	35,408	13,302	22,106	166%
Total non-operating revenue	19,352,287	17,780,206	1,572,081	9%
Total revenue	22,825,815	20,367,679	2,458,136	12%
Operating expenses	21,435,090	19,665,630	1,769,460	9%
Non-operating expenses				
Other non-operating expenses	2,867	84,937	(82,070)	-97%
Interest expense	282,213	329,763	(47,550)	-14%
Total non-operating expense	285,080	414,700	(129,620)	-31%
Total expenses	21,720,170	20,080,330	1,639,840	8%
Capital contribution	550,700	420,991	129,709	31%
Change in net position	1,656,345	708,340	948,005	134%
Net position, beginning	5,052,663	4,344,323	708,340	16%
Change in accounting principle	(82,095)	-	(82,095)	
Net position, beginning, as adjusted	4,970,568	4,344,323	626,245	14%
Net position, ending	\$ 6,626,913	5,052,663	1,574,250	31%

2025 is not reported consistently with 2024 because the Authority implemented GASB 101, which required an analysis of compensated absences under the new definition. Total expenses in the 2025 column present compensated absences measured under a new standard which is creating a larger expense. If 2024 was restated, expenses would be larger.

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Management's Discussion and Analysis
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Major Factors Affecting the Statement of Revenues, Expenses, and Changes in Net Position

The change in net position for 2025 showed an increase in net position between 2024 and 2025 of \$1.7 million compared to the increase in net position of \$708 thousand between 2023 and 2024. This upward trend was caused by a total revenue increase of \$2.5 million or 12% while total expenses increased only \$1.6 million or 8%. Additionally, there were \$551 thousand in capital contributions.

A \$1.5 million or 9% increase in government grants and subsidies was the largest factor contributing towards the increase in revenue, the majority of which is directly related to HUD funding for the HCV program. Operating revenues went up \$886 thousand or 34% as rents continue to increase and as the Authority earned developer fees of over \$1.1 million in 2025.

Direct grants and subsidies from HUD, USDA, VA, and others grant programs make up 88% of the revenue received. The largest program the Authority administers is the Housing Choice Voucher program, commonly known as the Section 8 program. This program also generates the Authority's largest single category of expense in the form of HAPs, which are transfer payments to private landlords to assist eligible low-income families with their rent.

Operating expenses increased \$1.8 million or 9%, mainly due to an increase in overall wages, as well as an increase in HAP payments of \$1.3 million or 9%.

A major economic condition influencing the Authority's Statement of Revenues, Expenses and Changes in Net Position is the continued appropriation and support for these programs through Congress. In fiscal years 2025 and 2024, appropriations remained consistent; however, the Authority has been impacted by the rising rents and high occupancy rates within local rental market, causing the Authority to assist fewer families.

This is offset by the well-performing Authority-owned real estate in the local rental market. The Cowlitz County rental market is influenced by the Portland, OR and Vancouver, WA rental markets which have remained strong. This has led to rising rent levels and corresponding lower vacancy rates. We expect to see rents remain firm and likely increase, which should lead to increases in our operating revenues; however, this would be offset by potentially lower revenues from our governmental sponsored programs.

Capital Asset and Long-Term Debt Activity

Capital Assets

During the fiscal year the Authority had \$10.5 million invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of \$489 thousand from the end of last year, because of annual depreciation offset with construction in development costs for The Landing at Goldfinch Grove.

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	Sept. 30, 2025	Sept. 30, 2024	Net Change	%
Land	\$ 2,606,049	2,606,049	-	0%
Construction in Progress	203,130	57,388	145,742	254%
Total non-depreciable capital assets	2,809,179	2,663,437	145,742	5%
Buildings	16,506,014	16,488,488	17,526	0%
Equipment	365,068	365,068	-	0%
Leasehold Improvements	3,110,189	3,110,189	-	0%
Total depreciable capital assets	19,981,271	19,963,745	17,526	0%
Accumulated Depreciation	(12,628,696)	(12,007,306)	(621,390)	5%
Total depreciable capital assets, net	7,352,575	7,956,439	(603,864)	-8%
Intangible - Right-to-Use Equipment	129,304	129,304	-	0%
Intangible - SBITA	416,628	371,652	44,976	12%
Accumulated Amortization	(210,690)	(135,132)	(75,558)	56%
Total amortizable capital assets, net	335,242	365,824	(30,582)	-8%
Total Capital Assets, net	<u>\$ 10,496,996</u>	<u>10,985,700</u>	<u>(488,704)</u>	-4%

For more information see Note 5 of the notes to the financial statements.

Long-Term Debt

As of September 30, 2025, the Authority had \$11.0 million in loans, notes and mortgages. This is a decrease of approximately \$305 thousand from the prior year's balance of \$11.3 million. Debt changed due to standard principal payments occurring in 2025. This information is presented in detail in Note 8 of the notes to the financial statements.

Economic Factors Affecting the Authority

The Authority depends on funding from HUD for Housing Choice Voucher program, USDA, VA and Washington State to fund much of its administrative needs. In addition, the Authority operates multiple affordable housing programs located in Cowlitz, Lewis, Wahkiakum, and Pacific Counties in Washington. Future operations could be affected by changes in federal low-income housing subsidies; economic or other changes in the southwest Washington geographical area; or by changes in the demand for such affordable housing and related services.

HUD's funding of federal low-income housing subsidies is dependent on congressional appropriations and related budget prioritizations. Federal budget cuts enacted in prior years and expected to occur in future periods, represent the greatest on-going economic challenge for the Authority. The following funding impacts from such actions were experienced in 2025:

- The administrative cost portion of the Housing Choice Voucher program funding was funded at the following percent of eligibilities 91.9% during 2024 and 88.2% during 2025.
- The Section 8 Housing Choice Voucher program Housing Assistance Payments was funded at 100% of subsidy eligibility in 2024, and 100% in 2025.

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The Authority has been seeing a steady increase in admin fees since COVID-19, as well as in housing subsidy payments. The Authority is also developing new programs and seeking funding from other sources. In particular the Veterans Administration has provided additional funds providing housing for homeless veterans, and the Low Income Housing Tax Credit program has brought infusions of capital funding for construction of new affordable housing units through equity contributions by the investors of those partnerships. The investors provided equity contributions to the partnership so that they could then benefit from the federal income tax credits awarded to those projects. On top of this, the Authority has seen an increase in funding in 2025 which has been used to cover rising inflation costs.

Local inflationary, recessionary, and employment trends can affect resident incomes and therefore the number of rental incomes received by the Authority, as well as the amount of Housing Assistance Payments paid out by the Authority. The unemployment rate in the Longview, Washington metropolitan statistical area has decreased from 4.5% in September 2024 to 4.6% in September 2025 according to the U.S. Bureau of Labor Statistics (www.bls.gov).

Contacting the Housing Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information should be addressed to the Accounting Manager of the Housing Opportunities of Southwest Washington. HOSWWA's offices are located at 820 11th Ave., Longview, WA 98632. The telephone number is (360) 423-0140.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
STATEMENT OF NET POSITION
September 30, 2025
(With Component Units presented as of December 31, 2024)

Assets and Deferred Outflows of Resources	<u>Primary Government</u>	<u>Component Units</u>
Current Assets:		
Cash - Unrestricted	\$ 1,786,327	121,023
Accounts and Grants Receivable (net)	1,039,873	7,873
Accounts Receivable - Component Unit	113,898	-
Lease Receivable	16,543	-
Prepaid Expenses	222,691	28,839
Restricted Assets:		
Cash - Restricted	1,689,708	658,247
Tenant Security Deposits	<u>82,950</u>	<u>18,457</u>
Total Restricted Assets	<u>1,772,658</u>	<u>676,704</u>
Total Current Assets	<u>4,951,990</u>	<u>834,439</u>
Noncurrent Assets:		
Notes and Interest Receivable - Component Unit, net of current	1,970,016	-
Notes Receivable - Other	190,839	-
Developer Fees Receivable - Component Unit	688,447	-
Lease Receivable, net of current	427,431	-
Capital Assets:		
Capital Assets, Nondepreciable	2,809,179	9,453,040
Capital Assets, Depreciable, Net of Depreciation	7,352,575	4,584,880
Right-to-Use SBITA Asset, Net of Amortization	296,136	-
Right-to-Use Lease Asset, Net of Amortization	<u>39,106</u>	<u>365,054</u>
Capital Assets, net	<u>10,496,996</u>	<u>14,402,974</u>
Net Pension Asset	746,597	-
Investments in Joint Ventures	349,570	-
Other Noncurrent Assets	-	<u>182,360</u>
Total Noncurrent Assets	<u>14,869,896</u>	<u>14,585,334</u>
Total Assets	<u>19,821,886</u>	<u>15,419,773</u>
Deferred Outflows of Resources (Related to Pensions)	<u>885,455</u>	<u>-</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 20,707,341</u>	<u>15,419,773</u>

The accompanying notes are an integral part of these financial statements.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
STATEMENT OF NET POSITION, CONTINUED
September 30, 2025
(With Component Units presented as of December 31, 2024)

Liabilities, Deferred Inflows, and Net Position	Primary Government	Component Units
Current Liabilities:		
Accounts Payable and Other Accrued Liabilities	\$ 562,652	2,433,061
Payable to Primary Government	-	299,835
Compensated Absences, current	227,439	-
Interest Payable, current	102,833	3,934
Unearned Revenue	168,520	599
FSS Escrow Liability, current	91,902	-
Long-Term Debt, current	1,094,586	19,842
SBITA Liability, current	56,973	-
Lease Liability, current	27,107	-
Tenant Security Deposits	82,950	18,457
Total Current Liabilities	2,414,962	2,775,728
Noncurrent Liabilities:		
Accrued Interest, net of current	212,624	11,599
Long-Term Debt, net of current portion	9,917,838	5,173,827
Note Payable to Primary Government	-	1,179,466
FSS Escrow Liability - long-term	277,708	-
SBITA Liability, net of current	193,415	-
Lease Liability, net of current	14,524	383,017
Net Pension Liability	178,193	-
Total Noncurrent Liabilities	10,794,302	6,747,909
Total Liabilities	13,209,264	9,523,637
Deferred Inflow of Resources - Related to Pension	446,370	-
Deferred Inflow of Resources - Related to Leases	424,794	-
Total Deferred Inflows of Resources	871,164	-
Total Liabilities & Deferred Inflows of Resources	14,080,428	9,523,637
Net Position:		
Net Investment in Capital Assets	(807,447)	4,972,975
Restricted Net Position - Pensions	746,597	-
Restricted Net Position - Debt Service & Replacement Reserves	934,381	658,247
Restricted Net Position - Development	89,266	-
Restricted Net Position - Other	127,931	-
Unrestricted Net Position	5,536,185	264,914
Total Net Position	6,626,913	5,896,136
Total Liabilities, Deferred Inflows, and Net Position	\$ 20,707,341	15,419,773

The accompanying notes are an integral part of these financial statements.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended September 30, 2025
(With Component Units presented for the year ended December 31, 2024)

	Primary Government	Component Units
	<u> </u>	<u> </u>
Operating Revenues:		
Net Rental Revenue	\$ 1,840,307	567,707
Tenant Revenue - Other	67,016	-
Other Income	<u>1,566,205</u>	<u>12,507</u>
Total Operating Revenues	<u>3,473,528</u>	<u>580,214</u>
 Operating Expenses:		
Administrative	1,855,559	141,384
Tenant Services	1,435,544	54,823
Utilities	442,863	46,823
Maintenance	1,205,015	94,081
Other General Expenses	294,823	67,860
Housing Assistance Payments	15,504,337	-
Depreciation and Amortization	<u>696,949</u>	<u>321,842</u>
Total Operating Expenses	<u>21,435,090</u>	<u>726,813</u>
Operating Income (Loss)	<u>(17,961,562)</u>	<u>(146,599)</u>
 Non-operating revenues & expenses:		
HUD PHA Operating Grants	16,754,803	-
Other Government Grants - operating	2,562,076	-
Investment Income	29,670	-
Gain (loss) on disposal of real property	(2,867)	-
Other Nonoperating Income (Expense)	5,738	-
Interest Expense	<u>(282,213)</u>	<u>(59,562)</u>
Total non-operating revenues & expenses	<u>19,067,207</u>	<u>(59,562)</u>
Changes in net position before capital contributions	1,105,645	(206,161)
Contributions - capital projects	<u>550,700</u>	<u>1,968,817</u>
Change in net position	1,656,345	1,762,656
Net position at beginning of year	<u>5,052,663</u>	<u>4,133,480</u>
Change in Accounting Principle	<u>(82,095)</u>	<u>-</u>
Net position at end of year	<u>\$ 6,626,913</u>	<u>5,896,136</u>

The accompanying notes are an integral part of these financial statements.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2025

	Primary Government
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Tenants	\$ 1,851,998
Cash Received from Other Activities	1,223,307
Cash Received from HUD Operating Grants	16,458,959
Cash Paid to Suppliers	(1,856,706)
Cash Paid to Employees	(3,608,975)
Cash Paid to Landlords	<u>(15,387,109)</u>
Net cash used by operating activities:	<u>(1,318,526)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Noncapital Grants	<u>2,746,249</u>
Net cash provided by non-capital financing activities:	<u>2,746,249</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(163,265)
Payments on Leases	(15,091)
Proceeds from Insurance Claims for Casualty Losses	250,961
Payments on Capital Asset Casualty Losses	(423,236)
Payments on SBITAs	(59,042)
Principal Paid on Capital Debt	(305,360)
Interest Paid	(276,268)
Proceeds from Capital Grants	<u>550,700</u>
Net cash used by capital and related financing activities:	<u>(440,601)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Collection on Notes Receivable	25,000
Issuance of Notes Receivable	(761,793)
Interest Received	<u>73</u>
Net cash used by investing activities:	<u>(736,720)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>250,402</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,308,583</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 3,558,985</u>
RECONCILIATION TO STATEMENT OF NET POSITION	
Cash - Unrestricted	\$ 1,786,327
Cash - Restricted	1,689,708
Cash - Tenant Security Deposits	<u>82,950</u>
Total cash and cash equivalents	<u>\$ 3,558,985</u>

The accompanying notes are an integral part of these financial statements.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

STATEMENT OF CASH FLOWS, CONTINUED

For the Year Ended September 30, 2025

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:

Operating Income (Loss)	\$ (17,961,562)
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation and Amortization	696,949
HUD Operating Grants	16,754,803
(Increase) decrease in assets:	
Accounts Receivable	(682,082)
Other Operating Receivables	(16,386)
Prepaid Expenses and Other Assets	(37,525)
Pension Asset	(207,541)
Increase (decrease) in liabilities:	
Accounts Payable and Accrued Expenses	115,527
Pension Liability	(133,442)
Security Deposits	6,633
FSS Escrow Liability	117,228
Other Payables	(118)
Unearned Revenues	(2,114)
Compensated Absences	31,104
Total adjustments	<u>16,643,036</u>
Net cash provided (used) by operating activities	<u>\$ (1,318,526)</u>
<u>Noncash Transactions:</u>	
SBITA Asset Financed with Debt	<u>\$ 44,977</u>

The accompanying notes are an integral part of these financial statements.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements

For the Year Ended September 30, 2025

Note 1 – SUMMARY OF SIGNIFICANT POLICIES

The accounting policies of the Housing Authority of the City of Longview, dba Housing Opportunities of SW Washington (the Authority), conform to generally accepted accounting principles in the United States of America (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the most significant policies (including identification of those policies which result in departures from GAAP):

Reporting Entity

The Authority is a public body corporate and politic of the State of Washington, governed by an appointed six-member board. As required by accounting principles generally accepted in the United States, management has considered all potential component units in defining the reporting entity. These financial statements present the Authority (the primary government) and its component units. The component units discussed below are included in the Authority's reporting entity because of the significance of their operational or financial relationships with the Authority.

When the City of Longview created the Authority, the Authority was authorized to operate within the limits of the City of Longview. In the late 1980s, the Authority's jurisdiction expanded to Cowlitz County through a resolution from the Cowlitz County Commissioners. Subsequently in the 1990s, the Authority absorbed the vouchers from both Pacific County and Lewis County and took over those jurisdictions. Jurisdictional authority was granted by ordinance from the respective counties. The Authority also has interlocal agreements with Castle Rock, Cathlamet, Kalama, Kelso, Wahkiakum County, Winlock, and Woodland to provide housing services in those cities and counties.

The Authority also provides certain management services through an Interlocal Agreement and a management contract with the Joint Pacific County Housing Authority. The Authority also has contracts to manage Lilac Place, LLLP, Sunrise Village Housing LLLP, and Driftwood Point Apartments, LLLP.

Discretely Presented Component Units - As required by GAAP, management has considered all potential component units in defining the reporting entity. These financial statements present the Authority (the Primary Government) and its discretely presented component units. The component units are included in the Authority's reporting entity because of the significance of their operational or financial relationships with the Authority. A separate Component Units column is presented in the financial statements to distinguish the balances and transactions from those of the primary government.

The Lilac Place Limited Liability Limited Partnership (Lilac Place LLLP) was formed by U.S Bancorp Community Development Corporation (the limited partner) and the Authority (the general partner). This partnership was formed to acquire, develop, construct, operate, and maintain housing for low-income tenants in a manner necessary to qualify for federal low-income housing tax credits as provided under Section 42 of the Internal Revenue Code. The project comprises 38 units in six buildings. The units constructed are owned by Lilac Place LLLP and managed by the Authority. As General Partner, the Authority complies with the duties and responsibilities established with the Limited Partner as outlined in the Partnership Agreement. In general, the Authority is obligated to provide funds to Lilac Place LLLP for any operating deficits and is to be repaid from project cash flow in subsequent years or from proceeds of a sale or refinance. Lilac Place LLLP is included as a discretely presented component unit of the Authority.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

Sunrise Village Housing Limited Liability Limited Partnership (SVH LLLP) was formed in 2021 to acquire, develop, construct, operate, and maintain housing for low-income tenants in a manner necessary to qualify for federal low-income housing tax credits as provided under Section 42 of the Internal Revenue Code. The project comprises 40 units. The units constructed are owned by the partnership and managed by the Authority.

In February 2024, SVH LLLP admitted a new Limited Partner, U.S. Bancorp Community Development Corporation, with a 99.99% ownership interest. The Authority is the General Partner with 0.01% ownership interest. As General Partner, the Authority complies with the duties and responsibilities established with the Limited Partner as outlined in the Partnership Agreement. In general, the Authority is obligated to provide funds to SVH LLLP for any operating deficits and is to be repaid from project cash flow in subsequent years or from proceeds of a sale or refinance. SVH LLLP is included as a discretely presented component unit of the Authority.

The discretely presented component units' financial statements are presented as of December 31, 2024. This presentation results in accounts receivable and accounts payable between component units and the primary government not being equal as they are presented as of different dates. The financial statements of the component units are prepared separately. Copies of these statements can be obtained by contacting the Authority at 820 11th Ave, Longview, WA 98632.

The Landing at Goldfinch Grove LLLP (LGG LLLP) formed in May 2025 to acquire, develop, construct, operate and maintain housing for low-income tenants in a manner necessary to qualify for federal low-income housing tax credits as provided under Section 42 of the Internal Revenue Code. The Authority is the general partner with a 0.01% ownership interest and HOSWWA Development Instrumentality LLC, of which the Authority is the sole member, is the initial limited partner with 99.99% ownership interest. The project comprises 74 units. The units constructed will be owned by the partnership and managed by the Authority. The land will be leased to the partnership and remain under the ownership of the Authority. The LGG LLLP is included in the Primary Government as a blended component unit for the year ended September 30, 2025.

At September 30, 2025, LGG LLLP reported construction-in-progress assets of \$121,794 and related construction costs payable to the Authority of \$121,794. No other assets or liabilities, net position, or revenues or expenses were reported for LGG LLLP as of or for the year ended September 30, 2025.

Basis of Accounting and Presentation

The accounting records of the Authority are maintained and reported in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW and the Federal Department of Housing and Urban Development (HUD). The Authority must report using GAAP; however, it has the option to use either the single enterprise proprietary fund or special purpose governmental fund model.

The Authority has elected to report as a single-enterprise proprietary fund and uses the accrual basis of accounting. The measurement focus is on the flow of economic resources. The proprietary fund is composed of a number of programs. These programs are designed to provide low-income individuals with housing and services.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

Proprietary funds are used to account for activities that are operated in a manner similar to private enterprise business. Under this method revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term debt liabilities are accounted for in the fund.

The Authority reports operating revenues as defined in GASB Statement No. 9. Operating revenues result from fees and charges from providing services in connection with the ongoing operations of providing low-income housing. Operating subsidies and grants are reported as non-operating revenues and are presented as cash flows from non-capital financing activities in the statement of cash flows. HUD PHA Operating grants are presented as cash inflows from operating activities, for consistency with cash outflows to administer the HUD PHA operating grants. Operating expenses are those expenses that are directly incurred in the operation of providing low-income housing.

Cash and Cash Equivalents

For the purposes of the Statement of Net Position and the Statement of Cash Flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, or available on demand, to be cash equivalents.

Receivables

Receivables consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Bad debt write offs are made monthly and subject to approval of the Board of Commissioners and are expensed at the end of each month. The Allowance for Doubtful Accounts is determined at the end of the year by evaluating the facts and circumstances of each account included in accounts receivable. On the financial statements, the receivables are presented in a net format after deducting the current allowance amount.

Notes Receivable – Other

Notes receivable consist of first and second mortgage loans, as well as notes from the component units. The mortgage loans were made under a down payment assistance program for first time home buyers. These mortgage loans are 0% interest, secured by a deed of trust, and payable upon sale or transfer of title, satisfactory completion of residency requirements, or change of use. The first mortgage loan was paid off in May 2022, the second in January 2025; ten loans are still outstanding. These loans are expected to be forgiven or repaid by the loan recipients at the sooner of the end of the compliance period or upon the sale or disposition of the home. These are classified as non-current because they are not expected to be repaid within one year. Because the loans receivables are secured by liens against real property there is generally no need to estimate uncollectible loans receivable.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

Restricted Assets

In accordance with bond resolutions and federal contracts (and certain related agreements) separate restricted accounts are required to be established. The assets held in these accounts are restricted for specific uses, including debt service, maintenance of assets, and other special reserve requirements. As titled in the Statement of Net Position, restricted resources included the following as of September 30, 2025:

Foster Youth to Independence Funds	\$	3,178
FSS Escrow Deposits and Forfeitures		369,610
Tenant Security Deposits		82,950
USDA Rural Development Replacement Reserves		644,085
Dept of Commerce Loan Replacement Reserves		290,296
Mainstream Vouchers		114,602
Emergency Housing Vouchers		22,869
Veterans Affairs Program Funds Advanced		97,955
USDA Rural Development Funds Advanced		23,302
Other Program Funds Advanced		21,217
Development		89,266
Other Restricted		13,328
	\$	<u>1,772,658</u>

Capital Assets

The cost of normal maintenance and repairs, which do not add to the value of the asset or materially extend an asset's life, is expensed. Major expenses (\$3,000 or more and a useful life of one year or more) for capital assets, including capital leases, and major repairs that increase useful lives are capitalized. All capital assets are valued at historical cost or estimated historical cost, where historical cost is not known.

Property, plant, and equipment donated or sold at a bargain discounted price to the Authority is recorded at the acquisition value determined at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, residential buildings, equipment, and intangible right-to-use assets are depreciated or amortized using the straight-line method, generally over the following estimated useful lives:

<u>Asset Categories</u>	<u>Years</u>
Buildings	40
Building improvements	15
Site improvements, sidewalks, paving, etc.	20
Vehicles-autos & light trucks	5
Office equipment-non computer	6
Computer & telecommunications equipment	5
Office furnishings	10
Other equipment, carpets, appliances	12

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

It is the Authority's policy that the original cost of unsegregated components of operating property that is retired or otherwise disposed of, plus the cost of installation, less salvage, is charged to accumulated depreciation and no gain or loss on the disposition is recognized. In the case of the sale of a significant operating unit or system, the original cost is removed from the capital asset accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.

The Housing Authority has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. However, the Housing Authority has sufficient legal interest to accomplish the purposes for which the assets were acquired.

Capitalized Costs

The Authority has a policy of capitalizing as a cost of that property certain project costs which are clearly associated with the acquisition, development, and construction of the real estate project.

Preliminary costs incurred for proposed capital projects are recorded in "Construction in Progress" accounts pending construction of the facility. Costs relating to projects ultimately constructed are transferred to the project capital accounts; charges related to abandoned projects are expensed.

Investments

Investments are stated at cost, which approximates fair market value. For various risks related to the investments, see Note 3 – Deposits and Investments.

Investment in Joint Venture

The Authority has investments in the Lilac Place Limited Liability Limited Partnership as general partner, and in the Driftwood Point Apartments LLLP as co-general partner together with Joint Pacific County Housing Authority. As general partner, the Authority uses the equity method of accounting for the investments and, as such, does not recognize losses in excess of the equity. These investments are increased by contributions and income from the partnerships and decreased by distributions and losses incurred by the partnerships.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation leave. The Authority records unpaid leave for compensated absences as an expense and liability when incurred.

Key policies include:

- Accrued liabilities are recognized in the financial statements for amounts attributable to employees' services rendered through the end of the reporting period.
- Liabilities for compensated absences are measured based on pay rates in effect at the reporting date and include applicable salary-related payments.
- The liability is categorized as a current or noncurrent liability based on the timing of expected payments.
- Accrual of sick leave liabilities is based on policies allowing employees to accumulate sick leave, and estimates of sick leave usage based on historical data.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

- Accrued leave balances are assumed to be used on a first in, first out flow.

Vacation pay, which cannot be carried over past the employee's anniversary date, is payable upon resignation, retirement, or death. Sick leave may be carried over to future years but can only be taken for medical-related absences. Sick leave may accumulate up to 480 hours. Upon resignation, retirement, or death; sick leave is lost.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For purposes of calculating the restricted net position related to the net pension asset, the Authority includes the net pension asset only. For details of the Pension Plans, see Note 9.

Family Self-Sufficiency

The Family Self-Sufficiency program (FSS) is an incentive program for low-income persons receiving subsidies to help them find ways to increase their income through schooling, technical training, etc. The Authority sets aside in an escrow account the difference between the participants' starting subsidy and their declining subsidy as their wages increase. When the participants achieve an income level at which they no longer receive subsidies in accordance with program guidelines, they will receive the escrow balance in cash. If the participants fail to comply with the program requirements, their escrow balance is forfeited.

Unearned Revenue

The Authority has unearned revenue arise when the cash has been received, but the potential revenue has not been earned in the current period. Unearned revenue results from ground lease payments, grants, and tenant rent payments received in advance of the period in which these are considered earned. Unearned tenant rent payments were received prior to year-end, before they were due; grant funding was received in advance of incurring related expense.

Leases

The Authority has recorded a Lease Receivable and Deferred Inflows of Resources in the statement of net position. At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the straight-line basis.

Key estimates and judgments related to leases include how the Authority determines: (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses its estimated incremental borrowing rate as the discount rate for leases.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable. See Note 6 for more information.

The Authority has also recorded a Lease Liability and associated Intangible, right to use, asset in the statement of net position.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis the same useful lives as the asset category of the underlying assets. If the asset's life is equivalent to the lease term, the Authority's right to use asset is amortized over the life of the lease from implementation through lease term end.

Key estimates and judgments related to lease include how the Authority determines: (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Housing Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Housing Authority generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Housing Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. See Note 6 for more information.

SBITA Liability and Right to Use Asset

The Authority has recorded a Subscription-Based Information Technology Arrangements (SBITA) liability and associated intangible, right to use, SBITA asset, in the statement of net position.

At the commencement of a subscription-based information technology arrangement, the Authority initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for payments made at or before the implementation date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized using the straight-line basis over the same useful lives as the SBITA term. See Note 7 for more information.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Tax Exemption

The Authority is qualified as a tax-exempt organization under the provisions of Section 115(1) of the Internal Revenue Code. Under state law (RCW 35.82.210) the Authority is exempt from all income taxes imposed by cities, counties, the state, or any political subdivision thereof. Accordingly, no provision for income taxes is reflected in the accompanying statements.

New Accounting Standards Adopted

Effective October 1, 2024, the Authority implemented GASB Statement No. 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures. The impact to the Authority is discussed in Note 15.

Effective October 1, 2024, the Authority implemented GASB Statement No. 102, *Certain Risk Disclosures*. This statement expanded disclosure requirements related to concentration or constraints that could have a substantial impact on the government's activities or future net position. The adoption of this standard did not have an impact on the financial statements or disclosures for the year ended September 30, 2025.

Note 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

State law requires that the Authority maintain occupancy at specified percentages of low-income families. State law also requires the Authority to deposit all of its funds with banking institutions in accordance with the terms of the State of Washington Public Deposit Protection Act.

The Authority is in compliance with state law with respect to the percentage of low-income families served and the Authority makes all investments pursuant to the requirements of Washington State law in Chapter 39.58 RCW, and the investment policies it has adopted.

Note 3 – DEPOSITS AND INVESTMENTS

Deposits

The Authority's deposits and certificates of deposit are entirely covered by the Federal Depository Insurance Commission (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). It is the policy of the Authority, when making deposits or investing in bank market rate savings or certificates of deposit, to use banks which are qualified public depositories as designated by the PDPC pursuant to RCW 39.58. The PDPC is a risk sharing pool whereby member banks that are designated as "qualified public depositories", mutually insure public deposits against loss. As a result, the FDIC or PDPC insures all demand deposits and bank balances of the Authority against loss.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
Notes to the Financial Statements, continued
For the Year Ended September 30, 2025

Note 3 – DEPOSITS AND INVESTMENTS, continued

The total amount of cash and cash equivalents at September 30, 2025 is \$3,558,985.

Investments

Available excess cash or demand deposits of the Authority are invested in accordance with RCW 35.82.070(6) and the Authority's policies. Investments consist of deposits with qualified public depositories, obligations of the U.S. Treasury and agencies, banker's acceptances, commercial paper, and repurchase agreements. All restricted cash and investments held in bond trust accounts were invested in accordance with the provisions of the various trust indentures. Certain investments may meet the criteria of cash and cash equivalents but are treated as investments by the Authority because of their intended long-term use.

As of and for the year ended September 30, 2025, the Authority had no investments.

Interest Rate Risk – The Authority's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – As noted above, state law limits the types of investments that can be made by the Authority to those identified in RCW 35.82.070(6).

Concentration of Credit Risk – The Authority places no limit on the amount that can be invested in any one investment.

Custodial Credit Risk – is the risk that in the event of a failure of the counterparty to an investment transaction the Authority would not be able to recover the value of the investment of collateral securities. None of the Authority's cash accounts or investments are exposed to custodial credit risk since all funds are either entirely covered by FDIC insurance, the Washington Public Deposit Protection Act or consists of investment in U.S. Treasury obligations or repurchase agreements secured by U.S. Treasury obligations.

Component Unit

Deposits - As of December 31, 2024, the component units' carrying amount of deposits was \$797,728. These deposits are entirely covered by Federal Depository Insurance Corporation (FDIC).

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 4 – RECEIVABLES

Accounts Receivable

The Authority has accounts receivable due from the following as of September 30, 2025:

Tenants, net of allowance	\$	64,048
PHA Projects		36,908
Other Governments		171,758
HUD		513,146
US Dept of Veterans Affairs		70,905
Component Units - other		113,898
Related Parties		183,108
Miscellaneous		-
	\$	<u>1,153,771</u>

Notes Receivable

The Authority has notes receivable that consist of first and second mortgage loans made under a down payment assistance program for first time home buyers. These loans are 0% interest loans secured by a deed of trust and payable upon sale or transfer of title, satisfactory completion of residency requirements or change of use.

The Authority has notes receivable due from Lilac Place, LLLP in the amount of \$328,268, plus \$20,339 in accrued interest. The component unit discloses \$328,268 as a long-term liability plus \$15,533 in accrued interest. The differences are the result of differing year ends of September 30, 2025 for the Authority, and December 31, 2024 for the component unit.

The Authority also has notes receivable from Sunrise Village Housing, LLLP in the amount of \$1,602,200 plus \$0 in accrued interest. The component unit discloses \$851,198 as a long-term liability plus \$0 in accrued interest. The differences are the result of differing year ends of September 30, 2025 for the Authority, and December 31, 2024 for the component unit.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
Notes to the Financial Statements, continued
For the Year Ended September 30, 2025

Note 4 – RECEIVABLES, continued

The schedule of notes receivable as of September 30, 2025 is as follows:

	Original Amount	Issue Date	Maturity	Interest Rate	Amount Outstanding
Development					
Lilac Place	\$ 338,200	Apr-14	Oct-58	3.28%	\$ 328,268
Sunrise Village	<u>1,602,200</u>	Feb-24	Feb-79	1.00%	<u>1,602,200</u>
	1,940,400				1,930,468
Forgivable Notes					
E	<u>20,000</u>	Aug-17	Aug-27	0.00%	<u>3,833</u>
	20,000				3,833
Other Notes Receivable					
A	25,000	Feb-09	Feb-39	0.00%	25,000
C	25,000	Oct-09	Oct-39	0.00%	25,000
E	25,000	Feb-10	Feb-40	0.00%	25,000
G	10,000	Aug-11	Aug-41	0.00%	10,000
H	10,000	Mar-12	Mar-42	0.00%	10,000
I	10,000	Apr-12	Apr-42	0.00%	10,000
J	30,000	Sep-12	Sep-42	0.00%	30,000
K	20,000	Mar-13	Mar-43	0.00%	20,000
M	10,000	May-14	May-44	0.00%	10,000
P	<u>40,000</u>	Apr-16	based on cash flow	1.00%	<u>21,814</u>
	<u>205,000</u>				<u>186,814</u>
Total	<u>\$ 2,165,400</u>				<u>\$2,121,115</u>

Changes in notes receivable balances during the year ended September 30, 2025 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Lilac Place	\$ 328,268	-	-	328,268
Sunrise Village	840,461	761,739	-	1,602,200
Forgivable notes	7,833	-	(4,000)	3,833
Other notes	<u>211,814</u>	<u>-</u>	<u>(25,000)</u>	<u>186,814</u>
	<u>\$ 1,388,376</u>	<u>761,739</u>	<u>(29,000)</u>	<u>2,121,115</u>

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
Notes to the Financial Statements, continued
For the Year Ended September 30, 2025

Note 5 – CAPITAL ASSETS

Primary Government

Capital asset activity for the year ended September 30, 2025 was as follows:

	Beginning Balance 10/01/24	Additions	Decreases	Ending Balance 09/30/25
Land	\$ 2,606,049	-	-	2,606,049
Construction in progress	57,388	145,742	-	203,130
Total non-depreciable capital assets	<u>2,663,437</u>	<u>145,742</u>	<u>-</u>	<u>2,809,179</u>
Buildings	16,488,488	17,526	-	16,506,014
Equipment	365,068	-	-	365,068
Leasehold improvements	3,110,189	-	-	3,110,189
Total depreciable capital assets	19,963,745	17,526	-	19,981,271
Less: accumulated depreciation	<u>(12,007,306)</u>	<u>(621,390)</u>	<u>-</u>	<u>(12,628,696)</u>
Total depreciable capital assets, net	<u>7,956,439</u>	<u>(603,864)</u>	<u>-</u>	<u>7,352,575</u>
Intangible - Right-to-Use Equipment	129,304	-	-	129,304
Intangible - SBITA	371,652	44,976	-	416,628
Less: Accumulated Amortization	<u>(135,132)</u>	<u>(75,558)</u>	<u>-</u>	<u>(210,690)</u>
Total amortizable capital assets, net	<u>365,824</u>	<u>(30,582)</u>	<u>-</u>	<u>335,242</u>
Total capital assets, net	<u>\$ 10,985,700</u>	<u>(488,704)</u>	<u>-</u>	<u>10,496,996</u>

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
Notes to the Financial Statements, continued
For the Year Ended September 30, 2025

Note 5 – CAPITAL ASSETS, continued

Component Units

Capital asset activity for the Component Units for the year ended December 31, 2024 was as follows:

	Beginning Balance 01/01/24	Increases	Decreases	Ending Balance 12/31/24
Land	\$ 308,313	-	-	308,313
Construction in progress	833,331	8,311,396	-	9,144,727
Total non-depreciable capital assets	<u>1,141,644</u>	<u>8,311,396</u>	<u>-</u>	<u>9,453,040</u>
Land improvements	615,439	-	-	615,439
Building	7,100,407	-	-	7,100,407
Equipment	227,935	-	-	227,935
Total depreciable capital assets	7,943,781	-	-	7,943,781
Less accumulated depreciation	<u>(3,059,675)</u>	<u>(299,226)</u>	<u>-</u>	<u>(3,358,901)</u>
Total depreciable capital assets, net	<u>4,884,106</u>	<u>(299,226)</u>	<u>-</u>	<u>4,584,880</u>
Intangible - Right-to-Use Land	-	365,054	-	365,054
Less: Accumulated Amortization	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total amortizable capital assets, net	<u>-</u>	<u>365,054</u>	<u>-</u>	<u>365,054</u>
Total capital assets, net	<u>\$ 6,025,750</u>	<u>8,377,224</u>	<u>-</u>	<u>14,402,974</u>

Note 6 – LEASE COMMITMENTS

Lessor

As of September 30, 2025, the Authority has two lease arrangements in which it is acting as Lessor:

In May 2025, the Authority entered into a 3-year lease agreement for office space with a commercial tenant, with up to three 1-year extensions available. The Authority is not accounting for extensions. The lease calls for monthly lease payments of \$1,500 through April 2026, \$1,575 through April 2027, and \$1,654 thereafter.

In February 2024, the Authority entered into a 99-year lease with one of its discretely presented component units, SVH LLLP. The lease is for real property to be used for Sunrise Village Housing. Lease payments of \$20,000 are due annually beginning April 1, 2026, and are payable out of available cash flow as defined in the SVH LLLP Partnership Agreement, accumulating year to year if unpaid. The lease term ends in April 2122.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 6 – LEASE COMMITMENTS, continued

The Authority’s schedule of future receipts included in the measurement of the lease receivable is as follows for the years ending September 30:

	Lease Receivables		
	Principal	Interest	Total Requirements
2026	\$ 16,543	21,832	38,375
2027	18,328	20,965	39,293
2028	13,179	20,051	33,230
2029	204	19,796	20,000
2030	214	19,786	20,000
2031-2035	1,242	98,758	100,000
2036-2040	1,585	98,415	100,000
2041-2045	2,023	97,977	100,000
2046-2050	2,581	97,419	100,000
2051-2055	3,294	96,706	100,000
2056-2060	4,205	95,795	100,000
2061-2065	5,366	94,634	100,000
2066-2070	6,849	93,151	100,000
2071-2075	8,741	91,259	100,000
2076-2080	11,156	88,844	100,000
2081-2085	14,238	85,762	100,000
2086-2090	18,172	81,828	100,000
2091-2095	23,193	76,807	100,000
2096-2100	29,601	70,399	100,000
2101-2105	37,779	62,221	100,000
2106-2110	48,216	51,784	100,000
2111-2115	61,538	38,462	100,000
2116-2120	78,539	21,461	100,000
2121-2122	37,188	2,812	40,000
	\$ 443,974	1,546,924	1,990,898

Lessee

At September 30, 2025, the Authority has two lease arrangements in which it is acting as the Lessee for office equipment. Refer to Note 5, Capital Assets, for information related to the Right to Use assets accounted for through these leases. One lease is for 20 copiers and is to be paid monthly until February 28, 2027. The second lease is for a postage machine and is to be paid quarterly until January 31, 2029.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 6 – LEASE COMMITMENTS, continued

The Authority’s schedule of future payments included in the measurement of the lease payable is as follows for the years ending September 30:

	Lease Payables		
	Principal	Interest	Total Requirements
2026	\$ 27,107	1,202	28,309
2027	12,457	283	12,740
2028	1,533	86	1,619
2029	534	7	541
	\$ 41,631	1,578	43,209

Note 7 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

At September 30, 2025, the Authority has one SBITA liability for its general ledger accounting and housing management software. The agreement commenced in July 2023 and is for a noncancellable term of 2 years and an additional renewal option for another 5 years, which management intends to exercise. Payments may increase annually, not exceeding CPI.

The Authority’s schedule of future payments included in the measurement of the SBITA payable is as follows for the years ending September 30:

	SBITA Liability		
	Principal	Interest	Total Requirements
2026	\$ 56,973	15,803	72,776
2027	60,569	12,207	72,776
2028	64,391	8,385	72,776
2029	68,455	4,321	72,776
	\$ 250,388	40,716	291,104

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 8 – LONG TERM DEBT AND LIABILITIES

Real Estate Mortgages

The Authority has direct placement debt which may be secured by capital assets. These loans were used to acquire capital assets that provide low-income housing.

Schedule of Direct Placement Debt Outstanding as of September 30, 2025:

Purpose	Original Amount	Issue Date	Fiscal Year Maturity	Interest Rate	Amount Outstanding	Other Disclosures
Purchase land for future development OBH	\$ 553,000	09/30/17	2026	1.00%	\$ 553,000	Secured by deed of trust on property. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
Purchase land for future development OBH	251,500	04/30/18	2026	1.00%	251,495	Secured by deed of trust on property. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
Refinance of Admin Building loan	463,000	11/20/18	2029	4.43%	382,158	Secured by deed of trust on real property and assignment of leases and rents for real property in Cowlitz County. Must maintain required debt ratio. Upon default, interest rate increases by 5% and all principal and accrued interest will be immediately due and payable. Prepayment penalty 5% in the first year, decreasing 1% per year.
Construction of 20 units of assisted housing - Phoenix House	1,775,000	06/30/08	2059	0.00%	1,775,000	Secured by deed of trust on property. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
Refinance of Stratford	428,733	03/09/21	2031	3.75%	358,933	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Interest rate increases to the 5-year fixed advance rate plus a 2.9% margin beginning April 1, 2026. Must maintain required debt ratio. Upon default, interest rate increases to 18% and all principal and accrued interest will be immediately due and payable. Prepayment penalty 5% in the first year, decreasing 1% per year.
Refinance - Hemlock	55,282	12/28/20	2027	6.625%	18,284	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Interest rate increased from 3.75% to the 5-year fixed advance rate plus a 2.9% margin, or 6.625%, on September 1, 2022. Must maintain required debt ratio. Upon default, interest rate increases to 18% and all principal and accrued interest will be immediately due and payable. Prepayment penalty 5% in the first year, decreasing 1% per year.
Refinance single family residence - 33rd	19,790	12/28/20	2026	3.75%	3,280	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Must maintain required debt ratio. Upon default, interest rate increases to 18% and all principal and accrued interest will be immediately due and payable. Prepayment penalty 5% in the first year, decreasing 1% per year.

These notes are an integral part of the financial statements.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 8 – LONG TERM DEBT AND LIABILITIES, continued

Schedule of Direct Placement Debt Outstanding as of September 30, 2025, continued

Purpose	Original Amount	Issue Date	Fiscal Year Maturity	Interest Rate	Amount Outstanding	Other Disclosures
Refinance - Woodside West	565,574	12/28/20	2027	6.125%	496,431	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Interest rate increased from 3.75% to the 5-year fixed advance rate plus a 2.9% margin, or 6.125%, on July 1, 2022. Must maintain required debt ratio. Upon default, interest rate increases to 18% and all principal and accrued interest will be immediately due and payable.
Acquire 8 units of family housing - Beechwood	483,000	02/01/21	2031	3.75%	424,651	Secured by deed of trust on real property. Interest rate increases to the 5-year fixed advance rate plus a 2.9% margin beginning March 1, 2026. Must maintain required debt ratio. Upon default, interest rate increases to 18% and all principal and accrued interest will be immediately due and payable. Prepayment penalty 5% in the first year, decreasing 1% per year.
Leasehold improvements - Sylvester Arms	1,565,717	01/09/94	2054	0.50%	1,112,690	Secured by deed of trust on real property. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty. Lender deferred all interest and principal payments through December 2022 to the end of the loan period, in response to the COVID-19 pandemic.
	603,443	03/16/22	2032	4.50%	533,655	Existing loan was refinanced in March 2022 with a new interest rate of 4.5% and a new maturity date of March 2032. Secured by assignment of leases and rents for all real property in Cowlitz County. Must maintain required debt ratio. Upon default, all principal and interest will be immediately due and payable. No prepayment penalty.
Acquire land and construct 17 units of elderly housing - Eagle Pointe Village	640,800	08/11/98	2049	1.00%	568,291	Secured by deed of trust on real property. Must meet low income housing requirements. Principal and interest payments are deferred until 2029, and accrued and unpaid interest compounds annually. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
Acquire land and construct 17 units of elderly housing - Eagle Pointe Village	209,700	08/11/98	2049	1.00%	209,700	Secured by deed of trust on real property. Must meet low income housing requirements. Principal and interest payments are deferred until 2029, and accrued and unpaid interest compounds annually. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
	188,691	03/04/98	2028	3.25%	31,365	Secured by deed of trust on real property. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
Rehabilitation of Stratford	800,000	03/31/13	2053	0.00%	800,000	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Must meet low income housing requirements. Forgivable if all compliance requirements are met upon maturity. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.

These notes are an integral part of the financial statements.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 8 – LONG TERM DEBT AND LIABILITIES, continued

Schedule of Direct Placement Debt Outstanding as of September 30, 2025, continued

Purpose	Original Amount	Issue Date	Fiscal Year Maturity	Interest Rate	Amount Outstanding	Other Disclosures
Purchase 39 units of elderly/disabled housing - Tulip Valley	1,238,636	08/01/95	2031	1.00%	178,545	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
Refinance - Hawthorne House	340,966	12/28/20	2031	4.125%	211,340	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Interest rate of 3.75% increased to the 5-year fixed advance rate plus a 2.9% margin, or 4.125%, on November 1, 2021. Must maintain required debt ratio. Upon default, interest rate increases to 18% and all principal and accrued interest will be immediately due and payable. Prepayment penalty 5% in the first year, decreasing 1% per year.
Purchase 61 units of senior housing - Hawthorne House	1,438,736	10/12/95	2035	1.00%	802,388	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
Purchase 16 units of family housing - Columbia View	493,016	10/25/05	2046	0.00%	493,015	Secured by deed of trust on real property. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
	99,743	01/19/06	2046	1.00%	75,049	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
Purchase 16 units of family housing - Columbia View	242,569	01/19/06	2046	1.00%	182,524	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
Purchase 35 units of family housing - Riverview	555,035	10/25/05	2046	0.00%	555,035	Secured by deed of trust on real property. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
	360,748	01/19/06	2046	1.00%	271,429	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
	571,735	01/19/06	2046	1.00%	430,174	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.

These notes are an integral part of the financial statements.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 8 – LONG TERM DEBT AND LIABILITIES, continued

Schedule of Direct Placement Debt Outstanding as of September 30, 2025, continued

Purpose	Original Amount	Issue Date	Fiscal Year Maturity	Interest Rate	Amount Outstanding	Other Disclosures
Purchase 4 units of veteran's housing - 18th Ave	309,000	12/02/22	2033	4.00%	293,992	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
Total	<u>\$ 14,253,414</u>				<u>\$ 11,012,424</u>	

Mortgage debt service requirements to maturity are as follows:

Years Ending September 30	Principal	Interest	Required Debt Service
2026	\$ 1,094,586	315,831	1,410,417
2027	748,878	227,025	975,903
2028	272,359	190,855	463,214
2029	586,097	164,624	750,721
2030	258,384	189,744	448,128
2031-2035	2,130,698	576,590	2,707,288
2036-2040	468,575	264,944	733,519
2041-2045	620,108	103,900	724,008
2046-2050	1,691,377	34,404	1,725,781
2051-2055	1,366,362	22,597	1,388,959
2056-2060	1,775,000	-	1,775,000
	<u>\$ 11,012,424</u>	<u>2,090,514</u>	<u>13,102,938</u>

Changes in Long-Term Liabilities

During the year ended September 30, 2025, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct placement debt:					
Mortgages	\$ 11,317,784	-	(305,360)	11,012,424	\$ 1,094,586
Total direct placement debt	11,317,784	-	(305,360)	11,012,424	1,094,586
Accrued interest	309,512	5,945	-	315,457	102,833
Pension liability	223,988	-	(45,795)	178,193	-
Lease liability	67,713	-	(26,082)	41,631	27,107
SBITA liability	264,454	-	(14,066)	250,388	56,973
FSS Escrow	252,382	117,228	-	369,610	91,902
Compensated absences*	196,335	31,104	-	227,439	227,439
	<u>\$ 12,632,168</u>	<u>154,277</u>	<u>(391,303)</u>	<u>12,395,142</u>	<u>\$ 1,600,840</u>

*Restated by \$82,095 for the implementation of GASB 101

These notes are an integral part of the financial statements.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
Notes to the Financial Statements, continued
For the Year Ended September 30, 2025

Note 8 – LONG TERM DEBT AND LIABILITIES, continued

Component Units

Loans

Lilac Place LLLP, a discretely-presented component unit of the Authority, has long-term notes payable secured by capital assets. These notes were used to acquire capital assets that provide affordable housing. The notes payable are to be repaid to the Authority, U.S. Bank, and Clark County by Lilac Place LLLP. The notes to the Authority (\$328,268) and Clark County (\$363,390) are to be paid out of residual receipts as they become available. The Umpqua Bank (formerly WCRA) mortgage loan (\$761,986) is to be paid back out of operations.

Sunrise Village Housing LLLP (SVH LLLP), a discretely-presented component unit of the Authority, has long-term loans payable secured by capital assets. These loans were used to acquire capital assets that provide affordable housing. The loans payable are to be repaid to the Authority, WA State Department of Commerce, and the City of Longview by SVH LLLP. The loan to the Authority (\$851,198) is to be paid out of net cash flow available for such purpose. The Commerce (\$2,642,936) and City of Longview loans (\$1,438,134) are to be paid back in full at the end of the contract term.

Outstanding loans for the Component Units are as follows:

	Original Amount	Issue date	Fiscal year maturity	Interest rate	Amount outstanding Dec 31, 2024
Mortgage (Columbia Bank) - Lilac Place	\$ 878,642	Jan-15	2030	6.00%	\$ 761,986
2nd Mortgage (Clark County) - Lilac Place	215,054	Jan-14	2058	0.50%	169,444
Deferred Loan (Clark County) - Lilac Place	200,000	Jan-14	2058	0.00%	193,946
Deferred Loan (City of Longview) - Sunrise Village	1,438,134	Feb-24	2065	1.00%	1,438,134
Deferred Loan (Dept of Commerce) - Sunrise Village	3,939,435	Feb-24	2065	1.00%	2,642,936
Long-term debt - unrelated parties	6,671,265				5,206,446
Note Payable - Lilac Place to Primary Govt	404,467	Jan-14	2058	3.28%	328,268
Note Payable - Sunrise Village to Primary Govt	851,198	Feb-24	2079	1.00%	851,198
Total long-term debt	<u>\$ 7,926,930</u>				<u>\$ 6,385,912</u>

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
Notes to the Financial Statements, continued
For the Year Ended September 30, 2025

Note 8 – LONG TERM DEBT AND LIABILITIES, continued

The Component Units' loans payable debt service requirements to maturity are as follows:

Years ending December 31	Principal	Interest	Required debt service
2025	\$ 19,842	45,828	65,670
2026	25,945	44,580	70,525
2027	27,269	43,256	70,525
2028	28,673	41,853	70,526
2029	30,162	40,364	70,526
2030-2034	679,300	10,027	689,327
2035-2039	25,539	2,951	28,490
2040-2044	26,184	2,306	28,490
2045-2049	26,845	1,645	28,490
2050-2054	27,523	967	28,490
2055-2059	208,094	274	208,368
2060-2064	328,268	430,775	759,043
2065-2069	4,081,070	1,632,428	5,713,498
2070-2074	-	-	-
2075-2079	851,198	632,178	1,483,376
	<u>\$ 6,385,912</u>	<u>2,929,432</u>	<u>9,315,344</u>

During the year ended December 31, 2024, the following changes occurred in the long-term liabilities for the Component Units:

	Beginning balance	Additions	Reductions	Ending Balance	Due within one year
Mortgages/Loans	\$ 1,154,885	4,081,070	(29,509)	5,206,446	\$ 19,842
Debt issuance costs	(15,565)	-	2,788	(12,777)	-
Total mortgages / loans, net	1,139,320	4,081,070	(26,721)	5,193,669	19,842
Note Payable - General Partner	389,137	851,198	(60,869)	1,179,466	-
Lease payable - General Partner	-	383,017	-	383,017	-
Accrued Interest	18,093	-	(2,560)	15,533	3,934
	<u>\$ 1,546,550</u>	<u>5,315,285</u>	<u>(90,150)</u>	<u>6,771,685</u>	<u>\$ 23,776</u>

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 9 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year ended September 30, 2025:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ 178,193
Pension assets	\$ 746,597
Deferred outflows of resources	\$ 885,455
Deferred inflows of resources	\$ 446,370
Pension expense/expenditures	\$ (65,765)

State Sponsored Pension Plans

Substantially all the Authority’s full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees’ Retirement System (PERS)

PERS members include elected officials; state employees; employees of local governments, and higher education employees not participating in higher education retirement programs.

PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 9 – PENSION PLANS, continued

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6%. The PERS 1 and PERS 2/3 employer contribution rates are developed by the Office of the State Actuary, adopted by the Pension Funding Council and are subject to change by the legislature. For part of the year, the PERS Plan 2/3 employer rate included a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 9 – PENSION PLANS, continued

The PERS Plan defined benefit required contribution rates (expressed as a percentage of covered payroll) for the fiscal year ended September 30, 2025 were as follows:

Employer Contribution Rates				
<i>Time Frame</i>	<i>Contribution Rate</i>	<i>PERS 1 UAAL</i>	<i>Administrative Fee</i>	<i>Employer</i>
October - June	6.36%	2.55%	0.20%	9.11%
July - September	5.38%	0.00%	0.20%	5.58%

Employee Contribution Rates	
PERS 1	6.00%
PERS 2	6.36% Oct - Jun 5.38% Jul - Sept
PERS 3	Varies: 5% to 15%

The Authority’s actual PERS plan contributions were \$64,429 to PERS Plan 1 and \$210,789 to PERS Plan 2/3 for the year ended September 30, 2025.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined by an actuarial valuation completed as of June 30, 2024 with the results rolled forward to June 30, 2025. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) 2013-2018 Demographic Experience Study and the 2023 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2024 actuarial valuation report..

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by service-based salary increases.
- **Investment rate of return:** 7%

Mortality rates were developed using the Society of Actuaries’ Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Change in Assumptions and Methods: OSA improved their modeling of benefits paid to retirees and beneficiaries in their month of death to better match current administrations

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 9 – PENSION PLANS, continued

Long-Term Expected Rate of Return

OSA selected a 7% long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2025. The inflation component used to create the table is 2.5% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	19%	2.10%
Tangible Assets	8%	4.50%
Real Estate	18%	4.80%
Global Equity	30%	5.60%
Private Equity	25%	8.60%
	100%	

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7%. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7% was used to determine the total liability.

Sensitivity of Net Pension Liability

The table below presents the Authority's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
PERS 1	\$ 300,684	178,193	70,766
PERS 2/3	\$ 1,211,543	(746,597)	(2,354,776)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

These notes are an integral part of the financial statements.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 9 – PENSION PLANS, continued

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2025, the Authority reported its proportionate share of the net pension liabilities (assets) as follows:

Plan	Liability or (Asset)
PERS 1	\$ 178,193
PERS 2/3	\$ (746,597)

At June 30, 2025, the Authority’s proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/24	Proportionate Share 6/30/25	Change in Proportion
PERS 1	0.01261%	0.01511%	0.00251%
PERS 2/3	0.01635%	0.01956%	0.00321%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2025, are used as the basis for determining each employer’s proportionate share of the collective pension amounts reported by the DRS in the Schedules of Employer and Nonemployer Allocations for all plans.

Pension Expense

For the year ended September 30, 2025, the Authority recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 32,127
PERS 2/3	(97,892)
TOTAL	\$ (65,765)

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 9 – PENSION PLANS, continued

Deferred Outflows of Resources and Deferred Inflows of Resources

At September 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	(12,250)
Contributions subsequent to the measurement date	-	-
TOTAL	\$ -	(12,250)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 545,867	-
Net difference between projected and actual investment earnings on pension plan investments	-	(168,128)
Changes of assumptions	288,531	(20,616)
Changes in proportion and differences between contributions and proportionate share of contributions	962	(245,376)
Contributions subsequent to the measurement date	50,095	-
TOTAL	\$ 885,455	(434,120)

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 545,867	-
Net difference between projected and actual investment earnings on pension plan investments	-	(180,378)
Changes of assumptions	288,531	(20,616)
Changes in proportion and differences between contributions and proportionate share of contributions	962	(245,376)
Contributions subsequent to the measurement date	50,095	-
TOTAL	\$ 885,455	(446,370)

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 9 – PENSION PLANS, continued

Deferred outflows of resources related to pensions resulting from the Authority’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending September 30:	PERS 1	PERS 2/3
2026	\$ 11,689	\$ 213,300
2027	\$ (8,515)	58,164
2028	\$ (8,843)	57,150
2029	\$ (6,581)	(3,721)
2030	\$ -	57,535
Thereafter	\$ -	18,812

Note 10 – DEFERRED CONTRIBUTION PENSION PLAN

The Authority’s Section 457 Plan is a single-employer defined contribution plan. Plan benefit terms have been established by the Washington State Department of Retirement Deferred Compensation Program (DCP) and the Authority’s personnel policy. The Authority makes matching contributions on behalf of participating employees. No assets are accumulated in trusts or equivalent arrangements by the Authority which meet the criteria in GASB 73, paragraph 101. The plan assets are administered by a third-party, which is the Washington State Department of Retirement Systems – Washington State Investment Board.

Plan assets are held in each employee’s name and are the property of the employee and are 100% vested upon contribution.

Contribution rates for employees can change annually and are limited by the State of Washington DCP regulations and the IRS Section 457 limitations. Per the DCP program, the minimum contribution is \$30 per month and cannot exceed \$19,500 per year. The Authority matches up to 5.5% of wages after 18 months of employment. Pension expense and employer contributions for the Authority were \$49,964 for the year ended September 30, 2025, and \$5,925 was payable to the administrator at September 30, 2025.

Note 11 – RISK MANAGEMENT

The Authority is a member of Housing Authorities Risk Retention Pool (HARRP). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Inter local Cooperation Act), fifty-five public housing authorities in the states of Washington, Oregon and California originally formed HARRP in March 1987. HARRP was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. HARRP currently has a total of eighty-two members, of which thirty-two are Washington entities.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 11 – RISK MANAGEMENT, continued

New members originally contract for a three-year term, and thereafter automatically renew on an annual basis. Members may quit (after completion of the three-year commitment) upon giving notice to HARRP prior to their renewal date. HARRP can terminate the members after giving sixty (60) day notice prior to the renewal date. Termination does not relieve a former member from its unresolved losses incurred during membership.

General and Automobile Liability coverages are written on an occurrence basis, without member deductibles. Errors & Omissions coverage (which includes Employment Practices Liability) is written on a claims made basis, and the members are responsible for 10% of the incurred costs of the claims. (Due to special underwriting circumstances, some members may be subject to a greater E&O co-payment.) The Property coverage offered by HARRP is on a replacement cost basis with deductibles ranging from \$5,000 to \$25,000. Fidelity coverage, with limits of \$100,000 (with options up to \$500,000) for employee dishonesty and forgery or alteration and \$10,000 for theft are also provided with deductibles the same as for Property.

Coverage limits for General Liability, Errors & Omissions and Property are \$2,000,000 per occurrence and \$4,000,000 annual aggregate. (Some members have chosen greater Property limits for higher valued properties.) Limits for Automobile Liability are \$2,000,000/\$2,000,000. HARRP self-insures \$2,000,000 per claim. The HARRP Board of Directors determines the limits and coverage terms, in its sole discretion.

HARRP provides loss control services, claim investigation and adjusting, litigation management and defense with in-house staff and retained third party contractors.

HARRP is fully funded by member contributions that are adjusted annually by the HARRP Board on the basis of independent actuarial studies. These assessments cover loss, loss adjustment, reinsurance and other administrative expenses. HARRP does not have the right to assess the membership for any shortfall in its funding. Such shortfalls are made up through future rate adjustments.

HARRP invests its funds that are not needed for its daily operations, in accordance with the strictest provisions of the laws of the states of Washington, Oregon, California and Nevada as they relate to investments of public funds. HARRP's Investment Policy is reviewed by staff and the HARRP Board on an annual basis.

HARRP's financial transactions are subject to annual audits by independent auditors. HARRP also subjects its claims management practices to an independent audit every three years. The Washington State Auditor's Office (SAO) performs a compliance audit every other third year, as does the Division of Enterprise Services (DES) part of the Washington State Risk management department.

The HARRP Board of Directors provides general policy direction for staff. It is composed of the executive directors of nine of HARRP's members, three each from the Association of Washington Housing Authorities (AWHA), the Housing Authorities of Oregon (HAO) association and the California-Association of Housing Authorities (CAHA). HARRP's Executive Director reports to the HARRP Board of Directors and directs the members of HARRP's staff in their daily functions.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 12 – RELATED PARTIES

The Chief Executive Officer of the Authority acts as the Executive Director for Joint Pacific County Housing Authority (JPCHA) but receives no additional compensation.

JPCHA contracts with the Authority to provide administrative support, development support, and property management staff. In fiscal year 2025, JPCHA paid the Authority \$142,632 for administrative and management services. JPCHA owed the Authority \$62,574 for these services as of September 30, 2025.

The Authority has entered into Development Agreements with JPCHA to develop the Willapa Center, Alder House, and Rivers Edge properties. The Authority earned developer fees under these agreements from JPCHA of \$421,691 during fiscal year 2025, of which \$99,241 was outstanding at September 30, 2025.

The Authority, Joint Pacific County Housing Authority, and U.S. Bancorp Community Development Corporation have entered a partnership to develop, build, and operate Driftwood Point Apartments. The project is operated as Driftwood Point Apartments, LLLP (DPA LLLP). U.S. Bancorp Community Development Corporation is the limited partner with 99.99% interest, the Authority is the managing general partner with .006% interest, and the Joint Pacific County Housing Authority is co-general partner with .004% interest in the DPA LLLP. The certificate of occupancy was issued October 1, 2019. The project consists of twenty-seven units in three buildings and forty-five adjacent parking spaces. The project is located in Long Beach, Pacific County, Washington. The Board of Commissioners of Joint Pacific County Housing Authority retains control, together with the limited partner, over the operations of Driftwood Point Apartments, LLLP, and therefore Driftwood Point Apartments LLLP is included as a component unit of Joint Pacific County Housing Authority.

Development resources for Driftwood Point Apartments come, primarily, from the sale of Low-Income Housing Tax Credits and a first mortgage loan from the Washington Department of Commerce. This funding requires that each unit must be occupied by households at or less than 60% of Area Median Income. Further, twenty of the units are set aside for households certified as homeless, two units are set aside for veterans, and nine units are set aside for persons with a disability. Units are intended for households/families without age restriction and there is no service component required of residents. The Authority has attached Project Based Rental Assistance to each of the units.

Driftwood Point Apartments, LLLP also contracts with the Authority to provide administrative support and property management services. In fiscal year 2025, the Authority charged Driftwood Point Apartments, LLLP \$166,071 for these administrative and management services and \$21,293 in management fees and reimbursements receivable were due from Driftwood Point Apartments, LLLP at September 30, 2025.

Lilac Place, LLLP, a discretely-presented component unit of the Authority, contracts with the Authority to provide administrative support and property management services. In fiscal year 2025, the Authority charged Lilac Place, LLLP \$225,905 for these management services, and \$26,089 in management fees and reimbursements receivable were due from Lilac Place, LLLP at September 30, 2025.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 12 – RELATED PARTIES, continued

On October 27, 2021, the Authority formed Sunrise Village Housing LLLP (SVH LLLP), a Washington limited liability partnership, where the Authority is the sole general partner. In February 2024, SVH LLLP admitted U.S. Bancorp Community Development Corporation as the limited partner with 99.99% ownership interest. SVH LLLP was formed for the purpose of developing and operating 40 units of low-income housing in Longview, Washington. As of September 30, 2025, SVH LLLP owed the Authority \$1,602,200 for a Sponsorship loan related to construction. See Note 8 for more details.

SVH LLLP, a discretely presented component unit of the Authority, contracts with the Authority to provide administrative support and property management services. In fiscal year 2025, the Authority charged SVH, LLLP \$153,744 for these management services, and \$87,809 in management fees and reimbursements receivable were due from SVH, LLLP at September 30, 2025.

SVH LLLP has entered a Development Services Agreement with Community Frameworks, and the developer fee of \$1,500,000 will be divided between Community Frameworks (65% up to \$1,100,000) and the Authority (35% plus 100% after the first \$1,100,000). The Authority's portion of this fee is \$785,000. During the year ended September 30, 2025, \$688,447 of that fee was earned by the Authority and recorded as other operating income in the Statement of Revenues, Expenses, and Changes in Net Position. At September 30, 2025, \$688,447 in developer fees are due and receivable from SVH LLLP.

See also Note 6 and Note 8 for discussion of related party lease and loan agreements.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 13 – DISCRETELY PRESENTED COMPONENT UNITS

Summarized discretely presented component units' statement of net position at December 31, 2024:

Assets and Deferred Outflows of Resources	Lilac Place LLLP	SVH LLLP	Total
Current Assets:			
Cash - Unrestricted	\$ 121,023	-	121,023
Accounts Receivable (net)	7,873	-	7,873
Prepaid Expenses	28,839	-	28,839
Restricted Cash	<u>412,132</u>	<u>264,572</u>	<u>676,704</u>
Total Current Assets	<u>569,867</u>	<u>264,572</u>	<u>834,439</u>
Noncurrent Assets:			
Capital Assets:			
Capital Assets, Nondepreciable	308,313	9,144,727	9,453,040
Capital Assets, Depreciable, Net of Depreciation	<u>4,584,880</u>	<u>365,054</u>	<u>4,949,934</u>
Capital Assets, net	<u>4,893,193</u>	<u>9,509,781</u>	<u>14,402,974</u>
Other Noncurrent Assets	<u>18,612</u>	<u>163,748</u>	<u>182,360</u>
Total Noncurrent Assets	<u>4,911,805</u>	<u>9,673,529</u>	<u>14,585,334</u>
Total Assets	<u>5,481,672</u>	<u>9,938,101</u>	<u>15,419,773</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 5,481,672</u>	<u>9,938,101</u>	<u>15,419,773</u>
Liabilities, Deferred Inflows, and Net Position			
Current Liabilities:			
Accounts Payable and Other Accrued Liabilities	\$ 23,982	2,409,079	2,433,061
Payable to Primary Government	35,067	264,768	299,835
Long-Term Debt, current	19,842	-	19,842
Interest Payable, current	3,934	-	3,934
Unearned Revenue	599	-	599
Tenant Security Deposits	<u>18,457</u>	<u>-</u>	<u>18,457</u>
Total Current Liabilities	<u>101,881</u>	<u>2,673,847</u>	<u>2,775,728</u>
Noncurrent Liabilities:			
Accrued Interest, net of current	11,599	-	11,599
Long-Term Debt, net of current portion	1,092,757	4,464,087	5,556,844
Note Payable to Primary Government	<u>328,268</u>	<u>851,198</u>	<u>1,179,466</u>
Total Noncurrent Liabilities	<u>1,432,624</u>	<u>5,315,285</u>	<u>6,747,909</u>
Total Liabilities	<u>1,534,505</u>	<u>7,989,132</u>	<u>9,523,637</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities & Deferred Inflows of Resources	<u>1,534,505</u>	<u>7,989,132</u>	<u>9,523,637</u>
Net Position:			
Net Investment in Capital Assets	3,452,326	1,520,649	4,972,975
Restricted Net Position - Debt Service & Replacement Reserves	393,675	264,572	658,247
Unrestricted Net Position	<u>101,166</u>	<u>163,748</u>	<u>264,914</u>
Total Net Position	<u>3,947,167</u>	<u>1,948,969</u>	<u>5,896,136</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 5,481,672</u>	<u>9,938,101</u>	<u>15,419,773</u>

These notes are an integral part of the financial statements.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
Notes to the Financial Statements, continued
For the Year Ended September 30, 2025

Note 13 – DISCRETELY PRESENTED COMPONENT UNITS, continued

Summarized discretely presented component units' statement of revenues, expenses, and changes in net position at December 31, 2024:

	Lilac Place LLLP	SVH LLLP	Total
Operating Revenues:			
Net Rental Revenue	\$ 567,707	-	567,707
Other Income	12,507	-	12,507
Total Operating Revenues	<u>580,214</u>	<u>-</u>	<u>580,214</u>
Operating Expenses:			
Administrative	140,542	842	141,384
Tenant Services	54,823	-	54,823
Utilities	46,778	45	46,823
Maintenance	94,081	-	94,081
Other General Expenses	66,862	998	67,860
Depreciation and Amortization	<u>303,879</u>	<u>17,963</u>	<u>321,842</u>
Total Operating Expenses	<u>706,965</u>	<u>19,848</u>	<u>726,813</u>
Operating Income (Loss)	<u>(126,751)</u>	<u>(19,848)</u>	<u>(146,599)</u>
Non-operating revenues & expenses:			
Interest Expense	<u>(59,562)</u>	<u>-</u>	<u>(59,562)</u>
Total non-operating revenues & expenses	<u>(59,562)</u>	<u>-</u>	<u>(59,562)</u>
Change in net position	(186,313)	(19,848)	(206,161)
Capital contributions	-	1,968,817	1,968,817
Net position at beginning of year	<u>4,133,480</u>	<u>-</u>	<u>4,133,480</u>
Net position at end of year	<u>\$ 3,947,167</u>	<u>1,948,969</u>	<u>5,896,136</u>

Note 14 – COMMITMENTS

In 2023, the Authority agreed to assist JPCHA in acquiring Alder House, a former assisted living facility in South Bend that is now vacant. The Authority initiated a Developer Services Agreement with Community Frameworks and applied for and was awarded Rapid Capital Acquisition funds. The project will be acquired by JPCHA with staffing assistance from the Authority and rehabilitated prior to leasing. For this work, the Authority will earn approximately \$500k in developer fees, of which \$322,450 in developer fees were earned during the year ended September 30, 2025 and recorded as other operating revenues in the Statement of Revenues, Expenses, and Changes in Net Position. The Authority has not made any guarantees related to this project, which will be wholly owned by JPCHA with funding from the Department of Commerce.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 14 – COMMITMENTS, continued

The Sunrise Village Housing LLLP (SVH LLLP) construction was financed as follows: low-income housing tax credit (LIHTC) equity contributions from the Limited Partner of \$9.8 million; a WA State HTF forgivable loan of \$3.9 million; a City of Longview HOME loan of \$442,000; a City of Longview HOME-ARP loan of \$746,000; a City of Longview Infrastructure Loan of \$250,000; and, a Sponsor loan from the Authority to the Partnership for up to \$1.6 million, which will be payable out of the SVH LLLP’s available cash flow, as defined in the Partnership Agreement. The Sponsor loan was fully funded from various grant awards received by the Authority totaling \$1.6 million for the Sunrise Village Housing project. The Authority is responsible for maintaining compliance with the state and city government loans’ compliance requirements, including federal award compliance requirements, and has guaranteed the loans. Sunrise Village Housing construction was completed in June 2025. The project includes 40 affordable units, with 20 of those subsidized through a Project Based Voucher contract. The project will include a property office, community room, laundry facilities and a maintenance room.

In November 2023, the Authority signed an Interlocal Agreement with the City of Longview such that 0.01% in sales tax revenues will be passed on to the Authority to fund affordable housing. The funds are to be utilized for development staffing, administrative fees, and development funds. As of December 2025, there is approximately \$3.7 million in the fund held by the City of Longview, which the City has pledged to provide to the Authority for these purposes on a reimbursement basis for eligible costs. HOSWWA anticipates using these sales tax funds accumulated to date to develop the Landing at Goldfinch Grove low-income housing project and to fund an internal housing developer position.

Note 15 – CHANGE IN ACCOUNTING PRINCIPLES

At October 1, 2024, the following change in accounting principles as required by the Governmental Accounting Standards Board was implemented. The effect of these changes on the Authority’s net position is as follows:

	<u>Net Position</u>
9/30/2024, as previously reported	\$ 5,052,663
Change in accounting principle	<u>(82,095)</u>
9/30/2024, as restated	<u>\$ 4,970,568</u>

GASB 101, Compensated Absences

Effective for the fiscal year ending September 30, 2025, the Authority adopted GASB Statement No. 101, *Compensated Absences*. This Statement establishes standards of accounting and financial reporting for compensated absences and clarifies the recognition and measurement of these liabilities. As a result of implementing GASB 101, the Authority recognized an adjustment to the financial statements as of the adoption date for \$82,095.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2025

Note 16 – SUBSEQUENT EVENTS

In May 2025, HOSWWA formed Landing at Goldfinch Grove LLLP, the purpose of which is to own, develop, maintain, and operate a low-income housing property at 5317 Ocean Beach Highway (the Landing at Goldfinch Grove).

In January 2026, the Authority was conditionally awarded up to \$5 million in state funding from the 2025-2027 biennial budget appropriation made to the Department of Commerce Housing Trust Fund program for the development of 74 units of low-income housing at The Landing at Goldfinch Grove. For this project, the Authority also secured funding from a private not-for-profit grantor of \$200,000, \$1 million from the State of Washington Connecting Housing to Infrastructure Program (CHIP), and \$1 million from Cowlitz County. Additionally, the Authority will utilize \$3 million in City of Longview 0.01% in sales tax revenue and approximately \$330,000 from Substitute House Bill 1406 local state shared tax for affordable and supportive housing, both from the interlocal agreement with the City of Longview. The Authority has secured tax credits from Washington State Housing Finance Commission and an investor partner as well as \$5 million in funding from the Department of Commerce. Closing of this financing is estimated to occur in winter 2026. Construction is estimated to begin in the spring of 2027 and is expected to take approximately 18 months to complete.

The Authority has two non-amortizing land acquisition program (LAP) loans for the acquisition of the 5317 Ocean Beach Highway property from WSHFC which are due and payable in the fiscal year ending September 30, 2026, for a total of \$804,495, plus accrued interest. These loans were paid in full by April 2026. Loan payments were funded by City of Longview 0.01% sales tax revenues.

In 2026, the Authority is forming a not-for-profit organization that will be organized as a 501(c)(3) corporation called Friends of Housing Opportunities of SW WA. The not-for-profit will serve as a vehicle for obtaining grants and/or donations that will strengthen the Authority's programs.

In 2026, the Washington State legislature awarded the Authority \$144,000 for the replacement of one of its properties' roofs. The roof replacement is expected to occur in summer 2026.

REQUIRED SUPPLEMENTARY INFORMATION

**Housing Authority of the City of Longview
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

Schedule of Proportionate Share of the Net Pension Liability (Asset)

PERS 1

As of June 30

Last Ten Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2025	0.015114%	\$ 178,193	\$ 3,294,498	5.41%	89.07%
2024	0.012606%	223,988	2,561,020	8.75%	84.05%
2023	0.011213%	255,963	2,015,379	12.70%	80.16%
2022	0.010566%	294,196	1,721,283	17.09%	76.56%
2021	0.010358%	126,495	1,535,964	8.24%	88.74%
2020	0.010127%	357,538	1,542,811	23.17%	68.64%
2019	0.011270%	433,373	1,552,456	27.92%	67.12%
2018	0.012912%	576,654	1,546,813	37.28%	63.22%
2017	0.013352%	633,563	1,636,756	38.71%	61.24%
2016	0.013755%	738,708	1,638,786	45.08%	57.03%

Housing Authority of the City of Longview

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Schedule of Proportionate Share of the Net Pension Liability (Asset)

PERS 2/3

As of June 30

Last Ten Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability / asset
2025	0.019564%	\$ (746,597)	\$ 3,294,498	-22.66%	105.53%
2024	0.016352%	(539,066)	2,561,020	-21.05%	105.17%
2023	0.014451%	(592,301)	2,015,379	-29.39%	107.02%
2022	0.013780%	(511,070)	1,721,283	-29.69%	106.73%
2021	0.013317%	(1,326,587)	1,535,964	-86.37%	120.29%
2020	0.013126%	167,878	1,542,811	10.88%	97.22%
2019	0.014396%	139,834	1,552,456	9.01%	97.77%
2018	0.015848%	270,590	1,546,813	17.49%	95.77%
2017	0.016531%	574,373	1,636,756	35.09%	90.97%
2016	0.016945%	853,167	1,638,786	52.06%	85.82%

REQUIRED SUPPLEMENTARY INFORMATION, continued

Housing Authority of the City of Longview
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Schedule of Employer Contributions

PERS 1

For the Years Ended September 30

Last Ten Fiscal Years

Year Ended Sept 30,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2025	\$ 64,429	\$ (64,429)	\$ -	\$ 3,457,755	1.86%
2024	78,508	(78,508)	-	2,765,909	2.84%
2023	76,877	(76,877)	-	2,137,197	3.60%
2022	64,496	(64,496)	-	1,732,802	3.72%
2021	72,747	(72,747)	-	1,596,116	4.56%
2020	73,662	(73,662)	-	1,544,715	4.77%
2019	75,444	(75,444)	-	1,497,157	5.04%
2018	80,996	(80,996)	-	1,704,335	4.75%
2017	80,730	(80,730)	-	1,633,272	4.94%
2016	80,961	(80,961)	-	1,662,116	4.87%

Housing Authority of the City of Longview

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Schedule of Employer Contributions

PERS 2/3

As of September 30

Last Ten Fiscal Years

Year Ended Sept 30,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2025	\$ 210,789	\$ (210,789)	\$ -	\$ 3,457,755	6.10%
2024	175,912	(175,912)	-	2,765,909	6.36%
2023	135,926	(135,926)	-	2,137,197	6.36%
2022	110,207	(110,207)	-	1,732,802	6.36%
2021	119,711	(119,711)	-	1,596,116	7.50%
2020	122,341	(122,341)	-	1,544,715	7.92%
2019	114,057	(114,057)	-	1,497,157	7.62%
2018	125,703	(125,703)	-	1,704,335	7.38%
2017	105,134	(105,134)	-	1,633,272	6.44%
2016	101,871	(101,871)	-	1,662,116	6.13%

REQUIRED SUPPLEMENTARY INFORMATION, continued

Housing Authority of the City of Longview
Notes to Required Supplemental Information - Pension

As of September 30
Last Ten Fiscal Years

Note 1: Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

Note 2: Covered payroll

Covered payroll has been presented in accordance with GASB 82, *Pension Issues*. Covered payroll includes all payroll on which a contribution is based.

Note 3: Change in contribution rate

Rates in effect during the periods covered by the Required Supplemental Information are below:

PERS 1, PERS 2/3

From this Through this

<u>Date</u>	<u>Date</u>	<u>Rate</u>
7/1/2015	6/30/2017	11.18%
7/1/2017	8/31/2018	12.70%
9/1/2018	6/30/2019	12.83%
7/1/2019	8/31/2020	12.86%
9/1/2020	6/30/2021	12.97%
7/1/2021	8/31/2022	10.25%
9/1/2022	6/30/2023	10.39%
7/1/2023	8/31/2023	9.39%
9/1/2023	6/30/2024	9.53%
7/1/2024	8/31/2024	9.03%
9/1/2024	6/30/2025	9.11% *
7/1/2025	Current	5.58% *

* Employer contribution rate includes an administrative expense rate of 0.20%

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2025

ALN / Federal Agency	Federal Agency / Program Name	Pass Through Agency	Other Identification Number	Primary Government			Component Unit		Foot note
				Direct Federal Expenditures	In-Direct Federal Expenditures	Total	In-Direct Federal Expenditures	Total	
Department of Agriculture:									
10.415	Rural Rental Housing Loans		56-008-977666317-016	\$ 43,766	-	43,766	-	43,766	
10.415	Rural Rental Housing Loans		56-008-977666317-016	238,568	-	238,568	-	238,568	3b
10.415	Rural Rental Housing Loans		56-008-977666317-028	853,754	-	853,754	-	853,754	3a
10.415	Rural Rental Housing Loans		56-008-977666317-028	69,923	-	69,923	-	69,923	
10.415	Rural Rental Housing Loans		56-008-977666317-030	10,446	-	10,446	-	10,446	
10.415	Rural Rental Housing Loans		56-008-977666317-030	264,380	-	264,380	-	264,380	3c
10.415	Rural Rental Housing Loans		56-008-977666317-041	28,457	-	28,457	-	28,457	
10.415	Rural Rental Housing Loans		56-008-977666317-041	720,146	-	720,146	-	720,146	3d
	Total Assistance Listing No. 10.415			2,229,440	-	2,229,440	-	2,229,440	
10.427	Rural Rental Assistance Payments		56-008-977666317-016	169,298	-	169,298	-	169,298	
10.427	Rural Rental Assistance Payments		56-008-977666317-028	312,054	-	312,054	-	312,054	
10.427	Rural Rental Assistance Payments		56-008-977666317-030	99,545	-	99,545	-	99,545	
10.427	Rural Rental Assistance Payments		56-008-977666317-041	217,004	-	217,004	-	217,004	
	Total Assistance Listing No. 10.427			797,901	-	797,901	-	797,901	*
	Total Department of Agriculture			3,027,341	-	3,027,341	-	3,027,341	
Department of Housing & Urban Development:									
14.218	CDBG/Entitlement Grants	City of Longview	Rent Well	-	45,670	45,670	-	45,670	
	Total CDBG Entitlement Grants Cluster			-	45,670	45,670	-	45,670	
14.239	Home Investment Partnerships Program	City of Longview	4854-6605-6058 - Sunrise Village	-	-	-	1,438,134	1,438,134	3f
14.239	Home Investment Partnerships Program	WA State Dept of Commerce	07-47104-004 Phoenix House	-	1,775,000	1,775,000	-	1,775,000	3e
14.239	Home Investment Partnerships Program	WA State Dept of Commerce	24-42401-116	-	443,092	443,092	-	443,092	
	Total Assistance Listing No. 14.239			-	2,218,092	2,218,092	1,438,134	3,656,226	
14.896	Family Self-Sufficiency Program Coordinators		WA007	133,840	-	133,840	-	133,840	
14.871	Section 8 Housing Choice Vouchers		WA007	14,848,660	-	14,848,660	-	14,848,660	
14.871	Emergency Housing Vouchers		WA007	437,278	-	437,278	-	437,278	
14.879	Mainstream 5		WA007	1,294,963	-	1,294,963	-	1,294,963	
	Total Housing Voucher Cluster			16,580,901	-	16,580,901	-	16,580,901	*
	Total Department of Housing and Urban Development			16,714,741	2,263,762	18,978,503	1,438,134	20,416,637	
Department of the Treasury:									
21.027	COVID-19 CSLFRF	WA State Dept of Commerce	22-94121-001 - Sunrise Village	-	-	-	3,939,435	3,939,435	3g
	Total Department of the Treasury			-	-	-	3,939,435	3,939,435	
Department of Veterans Affairs:									
64.024	Veterans Grant Program		LONG000-5224-648-PD-24	779,695	-	779,695	-	779,695	
	Total Department of Veterans Affairs			779,695	-	779,695	-	779,695	
	* Denotes major program								
	Total Expenditures of Federal Awards			\$ 20,521,777	2,263,762	22,785,539	5,377,569	28,163,108	

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2025

Note 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the Authority's financial statements. The Authority uses U.S. Generally Accepted Accounting Principles and the accrual basis of accounting.

Note 2 – PROGRAM COSTS

Except as noted in the next paragraph the amounts shown as current year expenditures represent only the federal award portion of the program costs. Entire program costs, including the Authority's portion, are more than shown. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The amounts shown on the schedule for the Housing Choice Voucher program (ALN 14.871), the Mainstream 5 program (ALN 14.879), and the Emergency Housing Vouchers program (ALN 14.871) represent amounts received by the Authority.

Note 3 – FEDERAL LOANS

The amount listed for each loan includes the proceeds received during the year and the outstanding loan balance from prior years.

- a) The Authority was approved by the USDA Rural Housing Service to receive a loan totaling \$1,438,736 to acquire and renovate 61 units of economically designed and constructed rental housing suited for rural residents. The loan balance as of September 30, 2025 is \$802,388.
- b) The Authority was approved by the USDA Rural Housing Service to receive a loan totaling \$1,238,636 to acquire and renovate 39 units of economically designed and constructed rental housing suited for rural residents. The loan balance as of September 30, 2025 is \$178,545.
- c) The Authority was approved by the USDA Rural Housing Service to receive a loan totaling \$342,312 to acquire and renovate 16 units of economically designed and constructed rental housing suited for rural residents. The loan balance as of September 30, 2025 is \$257,573.
- d) The Authority was approved by the USDA Rural Housing Service to receive a loan totaling \$932,483 to acquire and renovate 35 units of economically designed and constructed rental housing suited for rural residents. The loan balance as of September 30, 2025 is \$701,603.
- e) The Authority was approved by the Washington State Department of Commerce to receive a loan totaling \$1,775,000 to build 20 units of economically designed and constructed rental housing suited for parents leaving drug treatment. The loan balance as of September 30, 2025 is \$1,775,000.
- f) The Authority was approved by the City of Longview to receive a loan of up to \$1,438,134, which was assigned to Sunrise Village Housing LLLP (SVH LLLP), a discretely presented component unit of the Primary Government, in February 2024 to build 40 units of low-income housing. The loan balance as of September 30, 2025, was \$1,438,134. In addition, the aggregate discretely presented component units are presented in the accompanying basic financial statements as of December 31, 2024. The loan balance outstanding as of December 31, 2024 was also \$1,438,134.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
For the Year Ended September 30, 2025

Note 3 – FEDERAL LOANS, continued

- g) The Authority was approved by the WA State Department of Commerce to receive a loan of up to \$3,939,435, which was assigned to Sunrise Village Housing LLLP (SVH LLLP), a discretely presented component unit of the Primary Government, in February 2024 to build 40 units of low-income housing. The loan balance as of September 30, 2025, was \$3,939,435. In addition, the aggregate discretely presented component units are presented in the accompanying basic financial statements as of December 31, 2024; therefore, there is a difference between the loan funds expended as reported in the schedule of expenditures of federal awards (\$3,939,435) and the loan balances reported in the aggregate discretely presented component units column (\$2,642,936) in the basic financial statements.

Note 4 – INDIRECT COST RATE

The Authority has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance for Department of Veterans Affairs awards. The Authority has not elected to use the 10% de minimis indirect cost rate for any other departments' awards.

Note 5 – SUB-RECIPIENTS OF FEDERAL AWARDS

No amounts expended during the year ended September 30, 2025, were passed through to sub-recipients.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
PROJECT FINANCIAL STATEMENTS – 18th House
For the Year Ended September 30, 2025

Statement of Net Position

	Assets	<u>18th House</u>
Current Assets:		
Cash - Unrestricted		\$ -
Accounts Receivable		-
Prepaid Expenses		6,090
Restricted cash		-
Total Current Assets		<u>6,090</u>
Noncurrent Assets:		
Capital Assets:		
Capital Assets, Nondepreciable		84,820
Capital Assets, Depreciable, Net of Depreciation		460,084
Right-to-Use Lease and SBITA Assets, Net of Amortization		<u>2</u>
Capital Assets, net		<u>544,906</u>
Other Noncurrent Assets		-
Total Noncurrent Assets		<u>544,906</u>
Total Assets		<u><u>\$ 550,996</u></u>
Liabilities and Net Position		
		<u>Primary Government</u>
Current Liabilities:		
Accounts Payable and Other Accrued Liabilities		\$ 48,822
Long-Term Debt, current		<u>6,074</u>
Total Current Liabilities		<u>54,896</u>
Noncurrent Liabilities:		
Long-Term Debt, net of current portion		287,918
Other Noncurrent Liabilities		<u>3</u>
Total Noncurrent Liabilities		<u>287,921</u>
Total Liabilities		<u>342,817</u>
Net Position:		
Net Investment in Capital Assets		250,911
Unrestricted Net Position		<u>(42,732)</u>
Total Net Position		<u>208,179</u>
Total Liabilities, Deferred Inflows, and Net Position		<u><u>\$ 550,996</u></u>

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
PROJECT FINANCIAL STATEMENTS – 18th House
For the Year Ended September 30, 2025

Statement of Revenues, Expenses, and Changes in Net Position

	18th House
Operating Revenues:	
Net Rental Revenue	\$ 35,000
Other Income	662
Total Operating Revenues	35,662
Operating Expenses:	
Administrative	6,086
Tenant Services	12
Utilities	6,004
Maintenance	9,149
Other General Expenses	774
Depreciation and Amortization	12,409
Total Operating Expenses	34,434
Operating Income (Loss)	1,228
Non-operating revenues & expenses:	
Other Government Grants - operating	6,660
Interest Expense	(10,887)
Total non-operating revenues & expenses	(4,227)
Change in net position	(2,999)
Net position at beginning of year	211,512
Change in Accounting Principle	(334)
Net position at end of year	\$ 208,179

Housing Authority City of Longview (WA007)

Longview, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2025

	14.EFA FSS Escrow Forfeiture Account	6.1 Component Unit - Discretely Presented	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	10.415 Rural Rental Housing Loans	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	64.024 VA Homeless Providers Grant and Per Diem Program	10.427 Rural Rental Assistance Payments	14.EHV Emergency Housing Voucher	14.880 Family Unification Program (FUP)	14.218 Community Development Block Grants/Entitlement Grants	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$29,320	\$121,023		\$845,559		\$87,153	\$44,593	\$492,857	\$0	\$279,557	\$7,288			\$1,907,350	\$0	\$1,907,350
112 Cash - Restricted - Modernization and Development		\$658,247		\$379,563						\$644,085				\$1,681,895	\$0	\$1,681,895
113 Cash - Other Restricted				\$13,328		\$114,819		\$369,252			\$141			\$497,540	\$0	\$497,540
114 Cash - Tenant Security Deposits		\$18,457		\$38,832						\$44,118				\$101,407	\$0	\$101,407
115 Cash - Restricted for Payment of Current Liabilities				\$18,079			\$1,852	\$1,285	\$97,955	\$23,302	\$22,869	\$3,178		\$168,520	\$0	\$168,520
100 Total Cash	\$29,320	\$797,727	\$0	\$1,295,361	\$0	\$201,972	\$46,445	\$863,394	\$97,955	\$991,062	\$30,298	\$3,178	\$0	\$4,356,712	\$0	\$4,356,712
121 Accounts Receivable - PHA Projects								\$36,908						\$36,908	\$0	\$36,908
122 Accounts Receivable - HUD Other Projects			\$11,600	\$11,220				\$468,608			\$21,739			\$513,168	\$0	\$513,168
124 Accounts Receivable - Other Government				\$354,286			\$26,655	\$2,067	\$70,905		\$70		\$4,103	\$458,086	\$0	\$458,086
125 Accounts Receivable - Miscellaneous				\$101,258				\$168		\$153				\$101,579	\$0	\$101,579
126 Accounts Receivable - Tenants		\$15,065		\$5,811				\$35,386		\$23,874	\$0			\$80,136	\$0	\$80,136
126.1 Allowance for Doubtful Accounts - Tenants		-\$7,192		-\$661				\$0	\$0	-\$363	\$0			-\$8,216	\$0	-\$8,216
126.2 Allowance for Doubtful Accounts - Other			\$0	\$0			\$0	-\$46,298	\$0	\$0	\$0		\$0	-\$46,298	\$0	-\$46,298
127 Notes, Loans, & Mortgages Receivable - Current				\$42,632										\$42,632	\$0	\$42,632
128 Fraud Recovery																
128.1 Allowance for Doubtful Accounts - Fraud																
129 Accrued Interest Receivable				\$192										\$192	\$0	\$192
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$7,873	\$11,600	\$514,738	\$0	\$0	\$26,655	\$496,840	\$70,905	\$23,664	\$21,809	\$0	\$4,103	\$1,178,187	\$0	\$1,178,187
131 Investments - Unrestricted																
132 Investments - Restricted																
135 Investments - Restricted for Payment of Current Liability																
142 Prepaid Expenses and Other Assets		\$28,839		\$53,050		\$9,496	\$334	\$71,531	\$3,137	\$82,300	\$2,838			\$251,530	\$0	\$251,530
143 Inventories																
143.1 Allowance for Obsolete Inventories																
144 Inter Program Due From			\$10,148	\$37,450										\$47,598	-\$47,598	\$0
145 Assets Held for Sale																
150 Total Current Assets	\$29,320	\$834,439	\$21,748	\$1,900,599	\$0	\$211,469	\$73,434	\$1,431,765	\$171,997	\$1,097,031	\$54,945	\$3,178	\$4,103	\$5,834,027	-\$47,598	\$5,786,429
161 Land		\$308,313		\$2,033,312						\$572,737				\$2,914,362	\$0	\$2,914,362
162 Buildings		\$7,715,846		\$9,871,941						\$6,634,069				\$24,221,856	\$0	\$24,221,856
163 Furniture, Equipment & Machinery - Dwellings		\$227,935		\$57,301										\$285,236	\$0	\$285,236
164 Furniture, Equipment & Machinery - Administration				\$214,955				\$89,789		\$3,022				\$307,766	\$0	\$307,766
165 Leasehold Improvements		\$365,054		\$3,584,270		\$5,297	\$876	\$58,503		\$5,741	\$1,434			\$4,021,175	\$0	\$4,021,175
166 Accumulated Depreciation		-\$3,358,901		-\$7,990,740		-\$3,796	-\$628	-\$107,440		-\$4,736,294	-\$1,028			-\$16,198,827	\$0	-\$16,198,827
167 Construction in Progress		\$9,144,727		\$149,593					\$1,342	\$52,740				\$9,348,402	\$0	\$9,348,402
168 Infrastructure																
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$14,402,974	\$0	\$7,920,632	\$0	\$1,501	\$248	\$40,852	\$1,342	\$2,532,015	\$406	\$0	\$0	\$24,899,970	\$0	\$24,899,970
171 Notes, Loans and Mortgages Receivable - Non-Current				\$3,276,733										\$3,276,733	\$0	\$3,276,733
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due																
173 Grants Receivable - Non Current																
174 Other Assets		\$182,360		\$345,302		\$14,036		\$191,726	\$108,182	\$80,856	\$6,495			\$928,957	\$0	\$928,957
176 Investments in Joint Ventures				\$349,570										\$349,570	\$0	\$349,570
180 Total Non-Current Assets	\$0	\$14,585,334	\$0	\$11,892,237	\$0	\$15,537	\$248	\$232,578	\$109,524	\$2,612,871	\$6,901	\$0	\$0	\$29,455,230	\$0	\$29,455,230
200 Deferred Outflow of Resources				\$409,523		\$16,647		\$227,385	\$128,302	\$95,895	\$7,703			\$885,455	\$0	\$885,455

Housing Authority City of Longview (WA007)

Longview, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2025

	14.EFA FSS Escrow Forfeiture Account	6.1 Component Unit - Discretely Presented	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	10.415 Rural Rental Housing Loans	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	64.024 VA Homeless Providers Grant and Per Diem Program	10.427 Rural Rental Assistance Payments	14.EHV Emergency Housing Voucher	14.880 Family Unification Program (FUP)	14.218 Community Development Block Grants/Entitlement Grants	Subtotal	ELIM	Total
290 Total Assets and Deferred Outflow of Resources	\$29,320	\$15,419,773	\$21,748	\$14,202,359	\$0	\$243,652	\$73,682	\$1,891,728	\$409,823	\$3,805,797	\$69,549	\$3,178	\$4,103	\$36,174,712	-\$47,598	\$36,127,114
311 Bank Overdraft																
312 Accounts Payable <= 90 Days		\$2,697,827	\$3,595	\$197,066				\$47,754	\$5,770	\$87,356				\$3,039,368		\$3,039,368
313 Accounts Payable >90 Days Past Due																
321 Accrued Wage/Payroll Taxes Payable				\$161,803										\$161,803		\$161,803
322 Accrued Compensated Absences - Current Portion				\$112,683		\$4,587	\$2,357	\$62,063	\$12,639	\$31,689	\$1,421			\$227,439		\$227,439
324 Accrued Contingency Liability																
325 Accrued Interest Payable		\$15,533		\$100,900						\$1,933				\$118,366		\$118,366
331 Accounts Payable - HUD PHA Programs			\$1,251											\$1,251		\$1,251
332 Account Payable - PHA Projects								\$19						\$19		\$19
333 Accounts Payable - Other Government																
341 Tenant Security Deposits		\$18,457		\$38,832						\$44,118				\$101,407		\$101,407
342 Unearned Revenue		\$599		\$18,079			\$1,852	\$1,285	\$97,955	\$23,302	\$22,869	\$3,178		\$169,119		\$169,119
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		\$19,842		\$1,014,965		\$1,119	\$185	\$12,355		\$149,739	\$303			\$1,198,508		\$1,198,508
344 Current Portion of Long-term Debt - Operating Borrowings		\$35,067												\$35,067		\$35,067
345 Other Current Liabilities				\$10,182				\$91,902		\$5,349				\$107,433		\$107,433
346 Accrued Liabilities - Other				\$36,939		\$724	\$499	\$1,222		\$3,123				\$42,507		\$42,507
347 Inter Program - Due To			\$16,902					\$10,148	\$16,445				\$0	\$4,103	\$47,598	-\$47,598
348 Loan Liability - Current																
310 Total Current Liabilities	\$0	\$2,787,325	\$21,748	\$1,691,449	\$0	\$6,430	\$4,893	\$226,748	\$132,809	\$346,609	\$24,593	\$3,178	\$4,103	\$5,249,885	-\$47,598	\$5,202,287
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		\$6,724,713		\$7,068,311		\$479	\$79	\$5,285		\$3,051,493	\$130			\$16,850,490		\$16,850,490
352 Long-term Debt, Net of Current - Operating Borrowings		\$11,599												\$11,599		\$11,599
353 Non-current Liabilities - Other				\$212,624		\$217		\$277,350			\$141			\$490,332		\$490,332
354 Accrued Compensated Absences - Non Current																
355 Loan Liability - Non Current																
356 FASB 5 Liabilities																
357 Accrued Pension and OPEB Liabilities				\$82,415		\$3,350		\$45,760	\$25,820	\$19,298	\$1,550			\$178,193		\$178,193
350 Total Non-Current Liabilities	\$0	\$6,736,312	\$0	\$7,363,350	\$0	\$4,046	\$79	\$328,395	\$25,820	\$3,070,791	\$1,821	\$0	\$0	\$17,530,614	\$0	\$17,530,614
300 Total Liabilities	\$0	\$9,523,637	\$21,748	\$9,054,799	\$0	\$10,476	\$4,972	\$555,143	\$158,629	\$3,417,400	\$26,414	\$3,178	\$4,103	\$22,780,499	-\$47,598	\$22,732,901
400 Deferred Inflow of Resources				\$631,240		\$8,392		\$114,628	\$64,679	\$48,342	\$3,883			\$871,164		\$871,164
508.4 Net Investment in Capital Assets		\$4,972,973		-\$162,644		-\$97	-\$16	\$23,212	\$1,342	-\$669,217	-\$27			\$4,165,526		\$4,165,526
511.4 Restricted Net Position		\$658,247	\$0	\$738,193		\$128,638		\$191,726	\$108,182	\$724,941	\$6,495	\$0		\$2,556,422		\$2,556,422
512.4 Unrestricted Net Position	\$29,320	\$264,916	\$0	\$3,940,771	\$0	\$96,243	\$68,726	\$1,007,019	\$76,991	\$284,331	\$32,784	\$0	\$0	\$5,801,101		\$5,801,101
513 Total Equity - Net Assets / Position	\$29,320	\$5,896,136	\$0	\$4,516,320	\$0	\$224,784	\$68,710	\$1,221,957	\$186,515	\$340,055	\$39,252	\$0	\$0	\$12,523,049	\$0	\$12,523,049
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$29,320	\$15,419,773	\$21,748	\$14,202,359	\$0	\$243,652	\$73,682	\$1,891,728	\$409,823	\$3,805,797	\$69,549	\$3,178	\$4,103	\$36,174,712	-\$47,598	\$36,127,114

Housing Authority City of Longview (WA007)

Longview, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2025

	14.EFA FSS Escrow Forfeiture Account	6.1 Component Unit - Discretely Presented	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	10.415 Rural Rental Housing Loans	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	64.024 VA Homeless Providers Grant and Per Diem Program	10.427 Rural Rental Assistance Payments	14.EHV Emergency Housing Voucher	14.880 Family Unification Program (FUP)	14.218 Community Development Block Grants/Entitlement Grants	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue		\$567,707		\$1,472,926						\$589,197				\$2,629,830	-\$221,816	\$2,408,014
70400 Tenant Revenue - Other				\$20,090						\$46,926				\$67,016		\$67,016
70500 Total Tenant Revenue	\$0	\$567,707	\$0	\$1,493,016	\$0	\$0	\$0	\$0	\$0	\$636,123	\$0	\$0	\$0	\$2,696,846	-\$221,816	\$2,475,030
70600 HUD PHA Operating Grants			\$133,739			\$1,294,963		\$14,848,386			\$437,278	\$40,437		\$16,754,803		\$16,754,803
70610 Capital Grants		\$1,968,817												\$1,968,817		\$1,968,817
70710 Management Fee																
70720 Asset Management Fee																
70730 Book Keeping Fee																
70740 Front Line Service Fee																
70750 Other Fees																
70700 Total Fee Revenue														\$0	\$0	\$0
70800 Other Government Grants				\$893,826	\$152,592		\$443,092		\$779,695	\$797,901			\$45,670	\$3,112,776		\$3,112,776
71100 Investment Income - Unrestricted				\$29,670										\$29,670		\$29,670
71200 Mortgage Interest Income																
71300 Proceeds from Disposition of Assets Held for Sale																
71310 Cost of Sale of Assets																
71400 Fraud Recovery								\$186						\$186		\$186
71500 Other Revenue	\$4,837	\$12,507		\$1,364,759				\$202,089						\$1,584,192		\$1,584,192
71600 Gain or Loss on Sale of Capital Assets				-\$2,867										-\$2,867		-\$2,867
72000 Investment Income - Restricted										\$72				\$72		\$72
70000 Total Revenue	\$4,837	\$2,549,031	\$133,739	\$3,778,404	\$152,592	\$1,294,963	\$443,092	\$15,050,661	\$779,695	\$1,434,096	\$437,278	\$40,437	\$45,670	\$26,144,495	-\$221,816	\$25,922,679
91100 Administrative Salaries		\$50,256		\$352,659		\$13,605	\$1,436	\$158,286	\$79,525	\$41,492	\$3,976			\$701,235		\$701,235
91200 Auditing Fees		\$9,100		\$7,467		\$2,198	\$247	\$24,796	\$554	\$2,495	\$693			\$47,550		\$47,550
91300 Management Fee		\$56,067												\$56,067		\$56,067
91310 Book-keeping Fee																
91400 Advertising and Marketing				\$1,127						\$1,332				\$2,459		\$2,459
91500 Employee Benefit Contributions - Administrative		\$22,487	\$19	\$90,961		-\$3,326	\$361	-\$47,186	-\$29,523	-\$25,695	-\$1,969			\$6,129		\$6,129
91600 Office Expenses		\$1,217	\$6,031	\$82,771		\$3,380	\$41	\$61,214	\$101,737	\$19,952	\$1,198			\$277,541	-\$82,176	\$195,365
91700 Legal Expense		\$18		\$10,948					\$196	\$41,348				\$52,510		\$52,510
91800 Travel		\$2,239		\$10,686		\$241	\$27	\$3,670	\$6,843	\$8,450	\$76			\$32,232		\$32,232
91810 Allocated Overhead																
91900 Other				\$165,249		\$35,419	\$7,710	\$428,839	\$93,710	\$158,919	\$11,095		\$2,455	\$903,396		\$903,396
91000 Total Operating - Administrative	\$0	\$141,384	\$6,050	\$721,868	\$0	\$51,517	\$9,822	\$629,619	\$253,042	\$248,293	\$15,069	\$0	\$2,455	\$2,079,119	-\$82,176	\$1,996,943
92000 Asset Management Fee																
92100 Tenant Services - Salaries		\$46,090	\$95,655	\$146,787		\$41,176	\$16,171	\$463,061	\$250,702	\$42,993	\$16,347		\$42,211	\$1,161,193		\$1,161,193
92200 Relocation Costs																
92300 Employee Benefit Contributions - Tenant Services		\$9,500	\$32,034	\$4,497		\$11,654	\$4,612	\$127,677	\$67,984	\$14,597	\$4,413		\$1,004	\$276,972		\$276,972
92400 Tenant Services - Other	\$8,068	\$233		\$14,473				\$3,246	\$165,822					\$191,842	-\$139,640	\$52,202
92500 Total Tenant Services	\$8,068	\$54,823	\$127,689	\$165,757	\$0	\$52,830	\$20,783	\$593,984	\$484,508	\$57,590	\$20,760	\$0	\$43,215	\$1,630,007	-\$139,640	\$1,490,367
93100 Water		\$26,240		\$51,616						\$61,509				\$139,365		\$139,365
93200 Electricity		\$6,198		\$61,535					\$2,231	\$29,142				\$99,106		\$99,106
93300 Gas				\$8,689						\$0				\$8,689		\$8,689
93400 Fuel																
93500 Labor																
93600 Sewer		\$13,688		\$63,523						\$64,947				\$142,158		\$142,158
93700 Employee Benefit Contributions - Utilities																
93800 Other Utilities Expense		\$697		\$27,843					\$88	\$71,740				\$100,368		\$100,368
93000 Total Utilities	\$0	\$46,823	\$0	\$213,206	\$0	\$0	\$0	\$0	\$2,319	\$227,338	\$0	\$0	\$0	\$489,686	\$0	\$489,686

Housing Authority City of Longview (WA007)

Longview, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2025

	14.EFA FSS Escrow Forfeiture Account	6.1 Component Unit - Discretely Presented	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	10.415 Rural Rental Housing Loans	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	64.024 VA Homeless Providers Grant and Per Diem Program	10.427 Rural Rental Assistance Payments	14.EHV Emergency Housing Voucher	14.880 Family Unification Program (FUP)	14.218 Community Development Block Grants/Entitlement Grants	Subtotal	ELIM	Total
94100 Ordinary Maintenance and Operations - Labor		\$30,054		\$226,995						\$239,554				\$496,603		\$496,603
94200 Ordinary Maintenance and Operations - Materials and Other		\$31,833		\$73,172		\$3		\$33	\$304	\$63,485	\$1			\$168,831		\$168,831
94300 Ordinary Maintenance and Operations Contracts		\$32,194		\$243,938		\$3,675	\$478	\$41,844	\$2,403	\$194,056	\$1,160			\$519,748		\$519,748
94500 Employee Benefit Contributions - Ordinary Maintenance				\$57,591						\$56,323				\$113,914		\$113,914
94000 Total Maintenance	\$0	\$94,081	\$0	\$601,696	\$0	\$3,678	\$478	\$41,877	\$2,707	\$553,418	\$1,161	\$0	\$0	\$1,299,096	\$0	\$1,299,096
95100 Protective Services - Labor																
95200 Protective Services - Other Contract Costs																
95300 Protective Services - Other																
95500 Employee Benefit Contributions - Protective Services																
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance																
96120 Liability Insurance																
96130 Workmen's Compensation																
96140 All Other Insurance		\$27,428		\$103,508		\$795	\$828	\$8,982	\$5,113	\$89,944	\$58			\$236,656		\$236,656
96100 Total Insurance Premiums	\$0	\$27,428	\$0	\$103,508	\$0	\$795	\$828	\$8,982	\$5,113	\$89,944	\$58	\$0	\$0	\$236,656	\$0	\$236,656
96200 Other General Expenses		\$33,398		\$8,859		\$29	\$5	\$325		\$30	\$8			\$42,654		\$42,654
96210 Compensated Absences				\$26,413		\$123	\$301	\$9,152	\$10,694	\$6,342	\$67			\$31,102		\$31,102
96300 Payments in Lieu of Taxes				\$3,982										\$3,982		\$3,982
96400 Bad debt - Tenant Rents		\$5,338		\$1,495				\$41,142		\$-2,654				\$42,331		\$42,331
96500 Bad debt - Mortgages																
96600 Bad debt - Other		\$1,696												\$1,696		\$1,696
96800 Severance Expense																
96000 Total Other General Expenses	\$0	\$40,432	\$0	\$37,759	\$0	\$152	-\$296	\$50,619	-\$10,694	\$3,718	\$75	\$0	\$0	\$121,765	\$0	\$121,765
96710 Interest of Mortgage (or Bonds) Payable		\$59,562		\$141,224	\$152,592	\$103	\$16	\$1,139		\$-12,890	\$29			\$341,775		\$341,775
96720 Interest on Notes Payable (Short and Long Term)																
96730 Amortization of Bond Issue Costs																
96700 Total Interest Expense and Amortization Cost	\$0	\$59,562	\$0	\$141,224	\$152,592	\$103	\$16	\$1,139	\$0	\$-12,890	\$29	\$0	\$0	\$341,775	\$0	\$341,775
96900 Total Operating Expenses	\$8,068	\$464,533	\$133,739	\$1,985,018	\$152,592	\$109,075	\$31,631	\$1,326,220	\$736,995	\$1,167,411	\$37,152	\$0	\$45,670	\$6,198,104	-\$221,816	\$5,976,288
97000 Excess of Operating Revenue over Operating Expenses	-\$3,231	\$2,084,498	\$0	\$1,793,386	\$0	\$1,185,888	\$411,461	\$13,724,441	\$42,700	\$266,685	\$400,126	\$40,437	\$0	\$19,946,391	\$0	\$19,946,391
97100 Extraordinary Maintenance																
97200 Casualty Losses - Non-capitalized										\$4,262				\$4,262		\$4,262
97300 Housing Assistance Payments				\$51,085		\$1,087,108	\$414,926	\$13,350,456		\$2,242	\$385,201	\$40,437		\$15,331,455		\$15,331,455
97350 HAP Portability-In								\$172,882						\$172,882		\$172,882
97400 Depreciation Expense		\$321,842		\$498,938		\$2,723	\$507	\$35,765		\$157,326	\$680			\$1,018,791		\$1,018,791
97500 Fraud Losses																
97600 Capital Outlays - Governmental Funds																
97700 Debt Principal Payment - Governmental Funds																
97800 Dwelling Units Rent Expense																
90000 Total Expenses	\$8,068	\$786,375	\$133,739	\$2,536,042	\$152,592	\$1,198,906	\$447,064	\$14,885,323	\$736,995	\$1,331,241	\$423,042	\$40,437	\$45,670	\$22,725,494	-\$221,816	\$22,503,678
10010 Operating Transfer In																
10020 Operating transfer Out																
10030 Operating Transfers from/to Primary Government																
10040 Operating Transfers from/to Component Unit																
10050 Proceeds from Notes, Loans and Bonds																
10060 Proceeds from Property Sales																
10070 Extraordinary Items, Net Gain/Loss																

Housing Authority City of Longview (WA007)

Longview, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2025

	14.EFA FSS Escrow Forfeiture Account	6.1 Component Unit - Discretely Presented	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	10.415 Rural Rental Housing Loans	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	64.024 VA Homeless Providers Grant and Per Diem Program	10.427 Rural Rental Assistance Payments	14.EHV Emergency Housing Voucher	14.880 Family Unification Program (FUP)	14.218 Community Development Block Grants/Entitlement Grants	Subtotal	ELIM	Total
10080 Special Items (Net Gain/Loss)																
10091 Inter Project Excess Cash Transfer In																
10092 Inter Project Excess Cash Transfer Out																
10093 Transfers between Program and Project - In				\$-3,558				\$3,558						\$0		\$0
10094 Transfers between Project and Program - Out																
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$-3,558	\$0	\$0	\$0	\$3,558	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$-3,231	\$1,762,656	\$0	\$1,238,804	\$0	\$96,057	\$-3,972	\$168,896	\$42,700	\$102,855	\$14,236	\$0	\$0	\$3,419,001	\$0	\$3,419,001
11020 Required Annual Debt Principal Payments	\$0	\$24,829	\$0	\$691,769	\$0	\$0	\$0	\$0	\$0	\$166,988	\$0	\$0	\$0	\$883,586		\$883,586
11030 Beginning Equity	\$32,551	\$4,133,480	\$0	\$3,313,188	\$0	\$130,468	\$73,663	\$1,076,565	\$151,224	\$249,455	\$25,545	\$0	\$0	\$9,186,139		\$9,186,139
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors				\$-35,672		\$-1,741	\$-981	\$-23,504	\$-7,409	\$-12,255	\$-529			\$-82,091		\$-82,091
11050 Changes in Compensated Absence Balance																
11060 Changes in Contingent Liability Balance																
11070 Changes in Unrecognized Pension Transition Liability																
11080 Changes in Special Term/Severance Benefits Liability																
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents																
11100 Changes in Allowance for Doubtful Accounts - Other																
11170 Administrative Fee Equity								\$1,221,957						\$1,221,957		\$1,221,957
11180 Housing Assistance Payments Equity								\$0						\$0		\$0
11190 Unit Months Available		456		1524		1445	408	21676		1812	449	40		27810		27810
11210 Number of Unit Months Leased		336		1471		1315	408	16675		1789	432	40		22466		22466
11270 Excess Cash																
11610 Land Purchases																
11620 Building Purchases																
11630 Furniture & Equipment - Dwelling Purchases																
11640 Furniture & Equipment - Administrative Purchases																
11650 Leasehold Improvements Purchases																
11660 Infrastructure Purchases																
13510 CFFP Debt Service Payments																
13901 Replacement Housing Factor Funds																

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Commissioners
Housing Opportunities of Southwest Washington
Longview, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Opportunities of Southwest Washington (the "Authority"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 25, 2026. The financial statements of Lilac Place, LLLP, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Lilac Place, LLLP.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standard, continued***

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Finney, Hill & Company, P.S.

June 25, 2026
Seattle, Washington

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Commissioners
Housing Opportunities of Southwest Washington
Longview, Washington

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Housing Opportunities of Southwest Washington's (the "Authority's") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2025. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Housing Opportunities of Southwest Washington, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance, *continued*

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Finney, Hill & Company, P.S.

June 25, 2026
Seattle, Washington

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2025

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditors’ report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? _____ yes X no

Identification of major programs:

<u>Assistance Listing No.</u>	<u>Name of Federal Program</u>
14.871/14.879	Department of Housing and Urban Development – <i>Housing Voucher Cluster</i>
10.427	Department of Agriculture – <i>Rural Rental Assistance Payments</i>

Dollar threshold used to distinguish between type A and type B programs: \$1,000,000

Auditee qualifies as low-risk auditee? X yes _____ no

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
For the year ended September 30, 2025

Section II – Financial Statement Findings

NONE

Section III – Federal Award Findings and Questioned Costs

NONE

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
Schedule of Prior Year Findings and Responses

NONE